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# FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY APRIL 19 1994 — D8523A


## S Africa nears breakthrough on poll stalemate

A breakthrough in South Africa's political crisis that would allow Zulu leader Chief Mangosuthu Buthelezi to take part in next week's all-race elections appeared within reach. After talks with President F.W. de Klerk and African National Congress officials, Chief Buthelezi said he was confident of positive results when talks resume today. It is understood the proposed deal will involve the recall of the old white-dominated parliament to entrench the largely symbolic powers of Zulu King Goodwill Zwelithini in the interim constitution. Page 16

**Japan's trade surplus with Asia rises:** Japan's trade surplus with Asia surpassed that with the US for the first time during the financial year ended last month, showing the shifts in trading patterns among high-growth countries of east Asia. Page 16

**GEC Alsthom,** Anglo-French engineering and transport group, clinched a $2.1bn contract to supply locomotives and electrical equipment for South Korea's high speed railway. Page 16

**Merrill Lynch maintains income:** The upheaval in financial markets in recent weeks failed to dent the trading profits of US financial institutions Merrill Lynch and Chase Manhattan. Page 17

**Lara makes highest Test cricket score**

West Indian batsman Brian Lara (left) scored the highest single-innings total in Test cricket, beating countryman Sir Garfield Sobers' 365 not out on the third day of the fifth Test against England at St John's, Antigua. Sobers was at the ground to congratulate the 24-year-old left hander, who was dismissed for 375. The West Indies declared at 593-5. No half measures, Page 7

**Watanabe wavers on leadership bid:** Michio Watanabe, faction chief in Japan's opposition Liberal Democratic party, voiced second thoughts over his campaign for the prime ministership. Page 4

**BAT Industries,** tobacco and insurance group, is considering raising its stake in ITC, its Indian affiliate, in a move which has raised protests at ITC. Page 17

**Israel to offer package to Syria:** Israel has formulated a comprehensive package for negotiations with Syria on a withdrawal from the occupied Golan Heights which it wants US secretary of state Warren Christopher to deliver to Damascus later this month. Page 5

**Chinese premier tours Central Asia:** China's prime minister Li Peng has begun a four-nation tour of Central Asia aimed at promoting Beijing's political and commercial interests in an unstable region on its troubled western frontier. Page 4

**Japanese developer in link with Branson:** Richard Branson's Virgin Group is exploring with Japanese partners the possibility of launching an international trade centre in the heart of London near the House of Commons. Page 7

**Australian coal strike:** Australian coal miners are to stage a 48-hour strike from today in protest at the contract prices for steaming coal agreed between the country's coal companies and Japanese power industry buyers. Page 4

**UK companies hope for end to trade ban:** British defence companies hoping to win contracts in Malaysia say they are hopeful a Malaysian ban on doing business with companies from Britain will be lifted soon. Page 7

**London seeks role as arbiter:** A City body to settle disputes among banks, brokers and large companies over financial transactions was launched in an attempt to establish London as a world centre for financial services arbitration. Page 7

**UN payroll stolen:** A safe containing $3.9m, the payroll for UN personnel in Somalia, disappeared from an unguarded office in the UN compound in the capital Mogadishu.

A photograph of Sir Peter Levene, UK government's efficiency adviser, was published in yesterday's summary with an item about Pedro Solbes, Spanish economy and finance minister. We apologise for the error.

| STOCK MARKET INDICES | | |
|---|---|---|
| FT-SE 100: | 3138.2 | (-30.1) |
| Yield | 3.88 | |
| FT-SE Eurotrack 100 | 1470.58 | (-0.50) |
| FT-SE-A All-Share | 1582.45 | (-0.7%) |
| Nikkei | 20,277.35 | (+112.73) |
| New York lunchtime: | | |
| Dow Jones Ind Ave | 3627.56 | (-33.91) |
| S&P Composite | 442.78 | (-3.40) |
| US LUNCHTIME RATES | | |
| Federal Funds: | 3¾% | |
| 3-mo Treas Bills: Yld | 3.789% | |
| Long Bond | 85½ | |
| Yield | 7.392% | |
| LONDON MONEY | | |
| 3-mo Interbank | 5¼% | (5¼%) |
| Life long gilt future | Jun 108½ | (Jun 108⅞) |
| NORTH SEA OIL (Argus) | | |
| Brent 15-day (June) | $15.1 | (14.57) |
| Gold | | |
| New York Comex (June) | $378.7 | (378.4) |
| London | $377.7 | (377.25) |

| STERLING | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.472 | |
| London: | | |
| $ | 1.4761 | (1.4739) |
| DM | 2.5289 | (2.5233) |
| FFr | 8.6540 | (8.6311) |
| SFr | 2.1446 | (2.1432) |
| Y | 152.334 | (152.721) |
| £ Index | 80.0 | (79.9) |
| DOLLAR | | |
| New York lunchtime: | | |
| DM | 1.71775 | |
| FFr | 5.88 | |
| SFr | 1.4580 | |
| Y | 103.4 | |
| London: | | |
| DM | 1.7202 | (1.7124) |
| FFr | 5.8673 | (5.8575) |
| SFr | 1.459 | (1.4545) |
| Y | 103.625 | (103.645) |
| $ Index | 66.5 | (66.4) |
| Tokyo close Y 103.25 | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch22 | Greece | Dr250 | Luxe | LFr65 | Qatar | QR13.00 |
| Bahrain | Din1.250 | Hong Kong | HK$18 | Malta | Lm0.60 | S.Arabia | SR11 |
| Belgium | BFr65 | Hungary | Ft185 | Morocco | MDh15 | Singapore | S$4.30 |
| Bulgaria | Lev50.00 | Iceland | IKr215 | Neth | Fl 4.00 | Slovak Rp | KSL90 |
| Cyprus | C£1.10 | India | Rs60 | Nigeria | Naira50 | South Africa | R12.00 |
| Czech Rp | CZK50 | Israel | Shk9.00 | Norway | NKr17.00 | Spain | Pta225 |
| Denmark | DKr16 | Italy | L3200 | Oman | OR1.50 | Sweden | SKr16 |
| Egypt | E£5.00 | Japan | Y500 | Pakistan | Rs40 | Switz | SFr3.30 |
| Finland | FM14 | Jordan | JD1.50 | Philippines | Peso50 | Tunisia | Din1.500 |
| France | FFr9.00 | Kuwait | Fils625 | Poland | Z 32,000 | Turkey | L13000 |
| Germany | DM3.50 | Lebanon | US$1.50 | Portugal | Esc225 | UAE | Dh12.00 |

Quarter-point increase aimed at curbing inflation hits bonds and equities

# US rate rise surprises markets

By Michael Prowse in Washington and our markets staff

- Greenspan's strategy Page 3
- Editorial Comment Page 15
- Lex Page 16
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- London stock market Page 31
- World stock markets Page 42

Mr Alan Greenspan, chairman of the US Federal Reserve, surprised financial markets yesterday by signalling another rise in short-term interest rates in an effort to prevent rapid economic growth fuelling inflation.

The quarter-point increase in short-term rates to 3.75 per cent prompted sharp falls in bond and share prices. By early afternoon, the benchmark long bond had plunged 1.5 points, pushing the yield to 7.42 per cent.

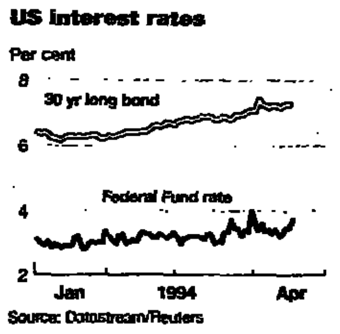
Share prices followed the pattern set by bonds, as they have in the wake of previous rate rises. By early afternoon, the Dow Jones Industrial average was off 35 points at 3,611.5, after working back from a 45-point decline in mid-morning.

The rate increase, the third since the Fed began to tighten monetary policy on February 4, came sooner than expected. On Wall Street, most analysts had been confident the Fed would not move again until May 17 when its policy-making open market committee is due to meet.

Mr Greenspan, however, may have decided to take advantage of political cover extended by Mr Lloyd Bentsen, Treasury secretary, who said at the weekend he expected short-term rates to rise by another half-point before the end of the year. Senior Clinton administration officials believe there is little or no risk of a significant increase in inflation but, so far, have opted not to force an overt confrontation with the Fed.

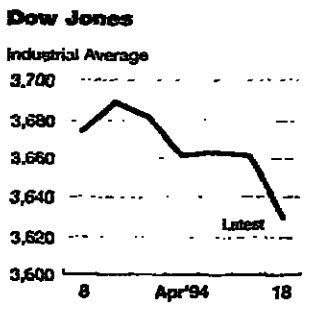
Ms Laura Tyson, chief White House economist, yesterday reiterated her support for Fed independence but argued that short-term rates were rising in response to faster economic growth rather than expectations of higher inflation.

**US interest rates**





**Dow Jones**





Source: Datastream/Reuters

The Fed believes rate increases are necessary to re-establish a "neutral" monetary policy after a period of deliberate stimulus during the credit crunch of the early 1990s.

Yesterday's move reflected continuing concern at the Fed that the economy is expanding at a rate well in excess of its long-run potential rate of growth. Recent figures have pointed to economic growth at an annual rate of 4-5 per cent in the current quarter, if not higher. If growth is not checked, officials fear the economy could hit capacity constraints, putting upward pressure on inflation.

The quarter-point increase in rates, although intended to bolster the Fed's anti-inflation credentials, was seen as only an interim measure. Most analysts expect the Fed to raise rates by another quarter-point at the May 17 open market committee meeting. Further rate increases are likely during the summer if economic growth shows no signs of subsiding.

"The bond market is facing a black hole," said Mr Robert Giordano, chief economist at Goldman Sachs in New York. He said bond prices would stabilise only if there was clear evidence of an economic slowdown or if short rates were significantly higher. Neither was likely in the next two to three months.

European government bond markets also tumbled in the wake of the rate rise, with bond futures prices dropping between 1 and 2 points on the day.

The markets had opened in a sombre mood, digesting the small, rather disappointing cut in German interest rates from last week.

While the Bundesbank's cut had prompted rate easings from many of the other European central banks last Thursday, European markets were disappointed when the Bank of France left its key interest rates unchanged yesterday.

However, the dollar rose more than a pfennig on the Fed announcement to a high of DM1.7230, but then fell back slightly to close in London at DM1.7202. Against the yen it was slightly weaker at Y103.625 from Y103.645 at Friday's close.

# Kidder fires top trader over fake profits

By Patrick Harverson in New York

Kidder Peabody, the US investment bank, has fired its chief government bond trader – a man who was paid $9m in salary and bonuses in 1993 – for fabricating $350m in trading profits over the past year.

It was still unclear yesterday whether Mr Joseph Jett had fabricated the trades in an attempt to cover up losses incurred elsewhere, or whether the scheme was designed primarily to boost his own pay packet, the size of which is closely tied to the profits he generates as a trader.

Mr Jett, 36, had worked at Kidder for almost three years.

Six other employees were "placed on special assignment" pending an investigation into what Kidder said was a scheme to create phantom trades and profits in the trading of government bond "strips". Strips are widely traded financial instruments that represent the interest payments accumulated over the life of a bond.

General Electric, Kidder's corporate parent, will today report an after-tax charge of $210m against its first-quarter earnings to cover the $350m in non-existent profits.

Kidder was quick to point out that none of its customers was affected by the scheme, which will leave the firm nursing a loss of about $140m for the first quarter.

The disclosures were greeted with astonishment on Wall Street, where the GE share price was $1¼ lower at $95¼ in heavy trading.

Ms Helen Keehner, a Kidder official, said yesterday: "We believe that this was essentially an individual action, by someone on his own who came up with a very sophisticated scheme which our normal systems operations and audit procedures would not have caught."

According to sources close to the firm, the complex scheme involved Mr Jett entering into millions of dollars of "forward" contracts that would allow him


Continued on Page 16
Background, Page 17


Serbs set terms for partition of Gorazde ■ EU calls for united diplomatic front

# West strives for credibility after Bosnia debacle

By Laura Silber in Belgrade, Jurek Martin in Washington and Lionel Barber in Luxembourg

- Serbs rob west of Russian prize Page 2
- Idealism gives way to disenchantment Page 15

Foreign ministers of the European Union yesterday pledged to restore the west's shattered credibility over Bosnia as the Serbs consolidated their newly established position in the enclave of Gorazde.

The UK and France pressed for a streamlined approach which would pull together the US, Russian, UN, and European peace efforts in Bosnia. It was aimed at avoiding fresh tensions between Europe and the US over Bosnia, while preventing Russia siding more closely with the Serbs.

In Washington, President Bill Clinton insisted a negotiated settlement was still possible. "I do think the big things are still working in the long term in favour of peace," he told reporters, while acknowledging that recent news from Gorazde was "grim and disappointing".

The Bosnian Serbs yesterday put forward their terms for the effective partition of Gorazde as General Sir Michael Rose, UN commander in Bosnia, warned of a "major humanitarian catastrophe" for tens of thousands of Moslems trapped in the enclave.

The Serbs reiterated promises, first voiced on Sunday night, to keep their guns out of a 3km zone on the west bank of the river Drina which runs through Gorazde. However, this would only formalise the existing situation.

They pledged to allow the deployment of 300 UN soldiers in the exclusion zone, effectively leaving the eastern part of Gorazde under Serb control. "We will make a Serbian municipality on the east bank of the Drina. We can discuss the fate of the other part of the city in peace talks later," said Mr Radovan Karadzic, Bosnian Serb leader.

In Luxembourg, EU foreign ministers yesterday tried to salvage something from the wreckage of western policy toward Bosnia with an Anglo-French appeal for a united diplomatic front to halt further Serb territorial aggression.

Financial incentives could be offered for the reconstruction of former Yugoslavia, including the possibility of progressively lifting UN sanctions against Serbia.

Several European delegations expressed frustration that the US was holding back funding to the United Nations, hampering efforts to provide extra forces for UN peacekeeping in Bosnia. Mr Warren Christopher, US secretary of state, said the Serbs had engaged in "a tangle of lies and misleading statements that have seldom been equaled", breaking commitments to both the US and Russia.

Sounding tougher than Mr Clinton, he said all US options were now under "urgent review," though he disclosed none of them.

The EU initiative came amid signs of Russian exasperation with the Serbs. Mr Vitaly Churkin, the Russian peace envoy, lashed out at the Bosnian Serbs for breaking their promises to him. "A group of Bosnian Serb extremists have fallen ill with the madness of war," he said. In an emotional outburst, he suggested severing contacts with Mr Karadzic.

Tears for Gorazde: members of a 3,000 strong crowd in Sarajevo show their sadness during a demonstration aimed at showing solidarity with the people of Gorazde Reuter

# Deutsche Bank criticised for withholding Schneider facts

By David Waller in Frankfurt

The Frankfurt city prosecutors' office yesterday criticised Deutsche Bank, the biggest creditor to the Schneider property group which collapsed last Friday with debts of more than DM5bn ($2.9bn), for holding back information.

Mr Job Tilmann, a senior prosecutor for the city of Frankfurt, said the prosecutors' office was "surprised and displeased" by the way the bank had withheld important facts from the office when the bank launched its fraud claim against the missing Mr Jürgen Schneider, founder of the property group.

Mr Tilmann said that when Deutsche lodged its claim last week, alleging that Mr Schneider had made a fraudulent loan application to finance the development of the Zeilgalerie shopping centre in Frankfurt, the bank had not mentioned that it had known about Mr Schneider's disappearance on April 7. This was four days before the group's problems were made public.

The bank had also kept silent about access it had to documents at the property group's Königstein headquarters over the four day period, Mr Tilmann said.

He said that while the bank's silence had been "idiosyncratic" it was not conduct which called for prosecution. The implication, strenuously denied by Deutsche, is that the delay may have impeded the city prosecutors' case against Mr Schneider. Deutsche said that when it filed its suit against Mr Schneider it offered to clarify the situation in talks with the prosecutors' office.

Separately yesterday, Mr Otto Lambsdorff, the influential economics spokesman of the Free Democratic party, junior partner in the ruling coalition, said in a radio interview that the affair was a "huge disgrace for German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The Treuhand summons Schneider, Page 18


CONTENTS

# Berlusconi looks to centre for support

By Robert Graham in Rome

Italy's right-wing Freedom Alliance, victorious in last month's general election, has turned to the centre parties to broaden its parliamentary support and widen the choice in forming a government.

The outcome of these talks, which began last weekend, will determine the complexion of the next government and the fate of the two small centre parties. Initial reactions suggest the centre is deeply divided on the issue; there are also reservations about the move within the Freedom Alliance.

The charm offensive is being conducted by Mr Silvio Berlusconi, the media magnate and likely next prime minister. It is being directed at the Popular party (PPI), formed in January from the mainstream of the former Christian Democrats, and the Pact for Italy of reformist Mr Mario Segni, who is also an ex-Christian Democrat.

These two parties were the chief victims of the new first-past-the-post voting system in the election. They were squeezed between the Freedom Alliance on their right and the Progressive Alliance, headed by the former communist Party of the Democratic Left (PDS), on the left.

Mr Berlusconi's offer is based on three considerations. He is mainly concerned to ensure the stability of his prospective government by having a clear majority in the senate. At present the Freedom Alliance – composed of Mr Berlusconi's Forza Italia, the populist Northern League, the neo-fascist MSI/National Alliance and the Christian Democrat Centre – is at least six seats short of a majority there.

Since both houses perform duplicate functions, a Freedom Alliance government permanently risks legislation not passing through the senate. This situation was underlined by the tense vote electing Mr Carlo Scognamiglio as speaker. He won on Saturday by one vote on the fourth round against Mr Giovanni Spadolini, the outgoing speaker.

A second consideration is Mr Berlusconi's desire to pull his government more towards the centre and so soften the impact of having the MSI on board. His original overtures, even before he formally entered politics in January, were towards the Christian Democrats and Mr Segni.

Only after both rejected him did he forge deals first with Mr Umberto Bossi's League and then with Mr Gianfranco Fini's MSI. He was also able to pick up the small right wing of the Christian Democrats who reformed into the Christian Democrat Centre.

Linked to this opening to the centre is a desire to balance the unpredictable presence of the League. From previous experience, Mr Bossi is likely to use the threat of withdrawing his support as a way to increase political leverage.

The final reason is to expand the reservoir of people on whom Mr Berlusconi can draw to form a government.

# Serbs rob west of Russian prize

**John Lloyd** on Bosnia setback to hopes of Partnership for Peace

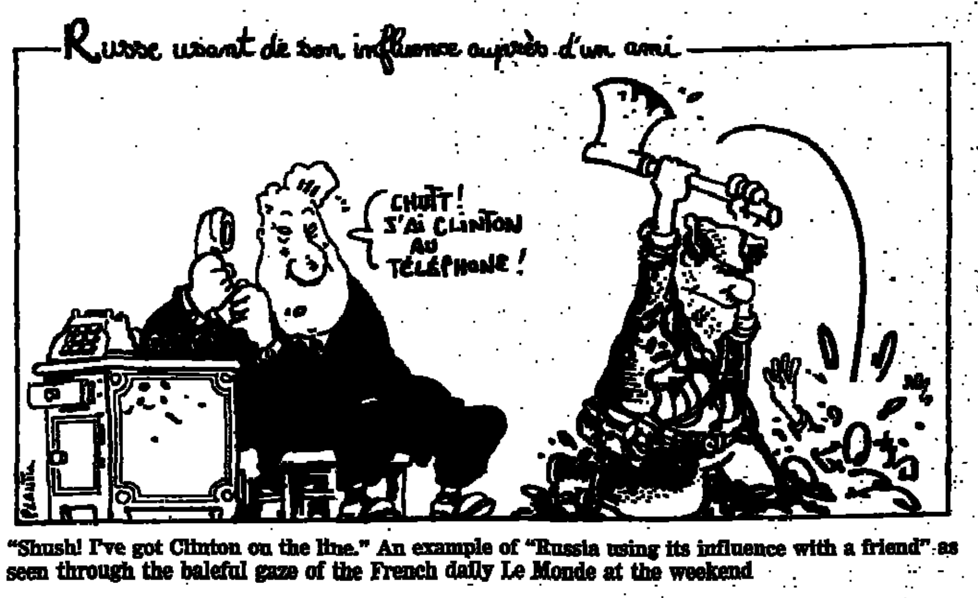
There is no constituency of any weight in Russia which would agree that Serbs should be punished militarily for their aggression in Bosnia. If the west agrees further use of force there, it will lose Russia.

The west wants to draw Russia into a broad security alliance, through the initial medium of the Nato-inspired Partnership for Peace: and it is this desire which the Russians are using as a bargaining card in Bosnia.

Mr Vitaly Churkin, the special envoy to former Yugoslavia, said in a radio interview earlier this month that the choice before Russia was whether to continue partnership and co-operation with the European countries and the US, "or whether we need to return to the past and attempt to retire into ourselves and somehow gather the Commonwealth of Independent States under us as a hen does her chicks and in this self-imposed isolation attempt to work out our problems".

But that was before the Nato bombardment a week ago of Serb armour around Sarajevo without consultation with the Russians. Immediately after that, President Boris Yeltsin made clear that Russia's line was unswervingly against force. "It would mean war forever," he warned, adding that the Partnership for Peace was no longer a priority issue because of the lack of consultation.

Mr Andrei Kozyrev, Russia foreign minister, despatched at the weekend to try to broker yet another agreement from the Serbs on a ceasefire, came back on Sunday saying Russia would not sign the Partnership unless its scope was considerably extended. General Pavel Grachev, the defence minister and another former enthusiast for the Partnership, also pulled away, saying of Nato: "I don't like it when people tell me one thing and then do another. It seems we have to think again."




"Shush! I've got Clinton on the line." An example of "Russia using its influence with a friend" as seen through the baleful gaze of the French daily Le Monde at the weekend

Mr Kozyrev should have gone to Brussels this week to sign up for the Partnership deal but called off his visit. He has since said Russia wants something broader than a planned framework agreement that would allow it to have notice of "unilateral actions" by its former enemy.

"The problem is that ... there should be close co-ordination and we become partners," he said in a Russian television interview yesterday. "People take signing of those three pages (framework agreement) as marriage and in effect it is at best a date.

"We want real marriage and we stick to this," he added.

In the state duma (lower house of parliament) yesterday Mr Sergei Yushenkov, chairman of the House defence committee (and himself a member of the liberal Russia's Choice party) struggled to keep the possibility of signing the Partnership alive.

However, even he said it was impossible without a series of conditions, including a recognition of Russia's special status (though this could be done after Russia joined the Partnership), an agreement not to use force in Bosnia and a commitment from Nato that Russia would not lose its traditional armaments markets.

"It would be a courageous move by the president and General Grachev to say again that they support the Partnership for Peace and that they intend to join it, no matter what happens in the former Yugoslavia," said Mr Yushenkov yesterday.

However he admits that this is unlikely, though he insists that the basic calculations in the foreign and defence ministries remain unchanged. "They do not want for Russia to again be isolated," he said.

Both Mr Kozyrev and Mr Churkin yesterday voiced extreme displeasure at the Bosnian Serb forces, both with their actions in Gorazde and with their attacks on Russian peace keepers around Sarajevo. However, both are now pressing for an end to the sanctions on Serbia as a prelude to the Serbs lifting their siege and getting down to talks again.

To the west, this may seem like aggression rewarded: to the Russians, with their quite different view of the Serbs, it is lifting the pressure to encourage reasonable behaviour.

Russia is again emerging as a geo-political player after nearly two years of restrained diplomacy and adopting the posture of agreeing with the US on most matters. It has now fully emerged as the leader of the CIS, some half of which states have already indicated they wish to join the Partnership – another reason for Russia to want to do so.

If Russia succeeds in reaching a working relationship with Nato, it will do so only by curbing what it sees as the latter's excesses and by gaining recognition of its special status within the CIS – both of which could be hard for the western states to swallow.

The internal resistance within Russia to close co-operation with the west has risen, and remains high: parties such as the extremist Mr Vladimir Zhirinovsky's Liberal Democrats, the Communists and many of the so-called centrists are hostile, or at best sceptical, making the passage of Russia's accession to the Partnership through parliament far from automatic.

If it is agreed, continuing hostility – the legacy of centuries of relative isolation – will make it an awkward and capricious partner. But partnership with Russia is the prize: and for that, sacrifices in Bosnia must apparently be endured.

# EU tries to patch up its Bosnia policy

By Lionel Barber in Luxembourg

The European Union tried to pick up the pieces of its Bosnia policy yesterday with an Anglo-French appeal for a new united diplomatic front against the Bosnian Serbs.

The initiative aims to co-ordinate US, Russian, European and United Nations efforts to achieve a peace settlement in Bosnia after the humiliating weekend reversal in the Moslem enclave of Gorazde.

EU foreign ministers discussed the proposal at a meeting in Luxembourg yesterday, amid much hand-wringing in the face of the Serbian assault on Gorazde, which had been declared a UN-protected safe area.

However, there were signs of reservations within the Clinton administration about the wisdom of streamlining western and Russian diplomatic efforts through a new UN Security Council resolution.

Mr Douglas Hurd, UK foreign secretary, failed to persuade Mr Warren Christopher, US secretary of state, to agree to the plan during a telephone conversation yesterday, though he said Mr Christopher supported the principle of streamlined diplomacy.

Mr Hurd, who described the Serb assault on Gorazde as a "serious setback", said it made no sense to have three separate diplomatic efforts. Mr Alain Juppé, French foreign minister, said the separate European, Russian and US diplomatic tracks had made it easier for the Bosnian Serbs to play a "double game".

Despite evidence of disarray in UN and Nato policy toward Bosnia, Mr Hurd said ministers were not inclined to despair.

He pointed to recent "successes" such as the ceasefire in Sarajevo, the takeover of Tuzla airport, and the relief mission in Vitez.

Ministers agreed that it would be wrong to withdraw UN forces at this stage, or to lift the UN arms embargo so that Bosnian Moslems could defend themselves. It was not possible to impose a solution by force, Mr Hurd insisted.

Instead, ministers were working on a declaration calling for a ceasefire in Gorazde, to be followed up with deployment of extra UN forces in Bosnia. Britain was prepared to contribute, while not increasing its present contingent in former Yugoslavia.

The aim would be to achieve a general ceasefire, coupled with a stepped-up effort to achieve a territorial settlement between Bosnian Moslems, Serbs and Croats.

# Strauss's ghost returns to haunt Bavaria

By Quentin Peel in Bonn

Something is rotten in the proud and prosperous Free State of Bavaria, once a byword for the post-war success story of the German federal republic.

The reputation of the late Mr Franz Josef Strauss – political godfather of the southern German state, several times premier in Munich, unsuccessful candidate for federal chancellor and formerly both finance and defence minister in Bonn – is under attack as never before.

It is not so much his political stance as Germany's most articulate and controversial post-war conservative which is under fire, but his links with wealthy Bavarian entrepreneurs. Now his successors at the head of the conservative Christian Social Union in Bavaria, sister party of Chancellor Helmut Kohl's Christian Democratic Union in the rest of the country, are fighting a rearguard action to save their absolute majority in the state parliament, their seats in the European parliament, and ultimately their place in the Bonn coalition.

Latest in the firing line is Mr Edmund Stoiber, current Bavarian premier, CSU strong man and formerly chief personal aide and minister of state in Mr Strauss's chancellery.

The irony is that he has sought to present himself as Mr Clean, presiding over a regime free of the whiff of corruption which always accompanied the rule of the flamboyant Mr Strauss, who died in office in 1988. Yet the "back to basics" moral crusade he has launched now threatens his own position.

Mr Stoiber, was last week forced to release a formal government statement on a welter of accusations from the press and opposition Social Democrats about alleged wrongful intervention by Mr Strauss in the tax affairs of Mr Eduard Zwick, a multi-millionaire businessman and close friend now living in Switzerland.

Mr Strauss is alleged to have sought to have either the prosecution against Mr Zwick – for alleged tax evasion totalling more than DM70m (£28m) – quashed, or a compromise negotiated allowing him to return to the country.

Although Mr Stoiber, who was finance minister under Mr Strauss, has denied any personal involvement in the Zwick saga, both Spiegel magazine and the Süddeutsche Zeitung in Munich have published detailed allegations suggesting they were involved.

This week Mr Zwick's son, Johannes, who has been held on remand since January, accused of involvement in the tax evasion, is due to give evidence before a parliamentary inquiry in Munich. Bavaria is waiting with bated breath to see if he will provide more evidence to back up his father's bitter claims – in an interview with Spiegel – about the close financial ties he had with both Mr Strauss and the CSU.

Already, however, the saga has taken its toll of the political fortunes of Mr Stoiber and the CSU. The former is now trailing his SPD rival in Bavaria, Ms Renate Schmidt, by 47 per cent to 41 per cent, in a popularity poll published by Spiegel. As for their parties, the CSU is still in front with 43 per cent, but the SPD (with 36) could possibly form a governing coalition with the Greens (8 per cent) if the figures hold true in the September poll.

# Quiet revolution pays dividends for EBRD

**Anthony Robinson** reports from the bank's annual meeting in St Petersburg

"I hate to do this – please excuse me," murmured Mr Jacques de Larosière as he jumped the milling queue of bankers, consultants and lawyers forced by the rigidity of Soviet-trained security men to wait outside St Petersburg's Manezh palace on Sunday night.

This quiet apology from the courtly president of the European bank for Reconstruction and Development on his way to an official reception neatly underlined the change of style at the bank since the ousting of its mercurial founding president, Mr Jacques Attali, nine months ago.

The former managing director of the IMF and chairman of the Bank of France, yesterday pleased shareholder governments at the bank's annual meeting by unveiling a more pragmatic approach to its activities and promising closer co-operation with other investors and international financial institutions. He also pleased the bank's east European clients by promising to increase the EBRD's presence on the ground in post-communist Europe and the central Asian states.

"It's a leaner, more hard driving organisation," commented Mr Laurence Summers, the US representative, who added he was now more confident the US Congress would be more amenable to approving Washington's $73m contribution to the bank's capital.

Speaking in the historic Tauvrichisky palace, which housed pre-revolutionary Russia's parliament before being turned over to Lenin's Petrograd Soviet, Mr de Larosière outlined a more clearly focused strategy for assisting the region's fledgling private banks and businessmen and raising the bank's leverage with co-investors.

**Western bankers and economic policymakers yesterday used the relaunch of the European Bank for Reconstruction and Development to reinforce the Russian leadership's commitment to the structural reform needed to underpin moves towards a market economy and improve access to foreign finance, write Anthony Robinson, Leyla Bolton, and Chrystia Freeland in St Petersburg.**

**Citing the example of "fast-track" Central European countries like Poland and the Czech Republic, Mrs Anne Wibble, chairwoman of the bank's governors, warned that gradualism would not ease the pain of transition but lead to a "vicious circle of prolonged high inflation, capital flight and economic stagnation with high social costs". A similar message was relayed by G7 deputies at an earlier closed session meeting with Mr Victor Chernomyrdin, Russia's prime minister who was encouraged to continue the tight monetary policies inherited from Mr Boris Fyodorov, the ousted finance minister, and create a more welcoming legal and fiscal environment for foreign investors.**

**In his opening speech at the EBRD conference Mr Chernomyrdin said "Russia's commitment to reform and structural adjustments remains the linchpin of Russian economic policy". But he called on the EBRD and other western institutions to co-ordinate their efforts and proposed a specialised international agency to insure investment projects in Russia against non-commercial risk. He warned that without new production from new factories built with the aid of foreign investment, reforms would be vulnerable to a reaction against the social costs caused by the collapse in production from the old centralised economy. He also asked for better access to foreign markets.**

To date, the bank's financial commitment of $3.7bn to 156 projects has attracted co-financing which pushes the total value of EBRD-linked projects to $11.7bn. This is around 15 per cent of foreign direct investment in the region, he added.

The symbolic decision to hold the bank's third annual meeting in the former Russian capital, built by Peter the Great as Russia's "window on the west", was pushed through at Mr Attali's insistence two years ago. That decision has been vindicated. Apart from attracting potential investors it justified a meeting between ministers from the Group of Seven leading industrial countries and top Russian economic decision makers which provided an opportunity to focus on Russia's problems and opportunities.

At their meeting with Mr Victor Chernomyrdin, the Russian prime minister, the G7 leaders emphasised the virtues of currency stability, the key role of positive real interest rates and the need for the Russian authorities to convince potential foreign investors that they were really wanted.

Above all, the G7 sought to impress upon Mr Chernomyrdin, the former "Czar" of the Gazprom gas utility that is Russia's most jealously guarded economic "crown jewel", that western investors would seriously invest in energy projects only if they were allowed to take equity stakes and a satisfactory degree of managerial control.

Yesterday, Mr Chernomyrdin acknowledged that "not all Russian enterprises welcome foreign investment" and promised his government would "do all it can to bolster the psychological aspects of foreign investment". It would also continue the tighter money policies introduced by Mr Boris Fyodorov, the former finance minister, which had reduced inflation to around 10 per cent a month, he added.

But, in one of the dozens of seminars and presentations over the past four days, the Institute of International Finance (IIF), the banking fraternity's own think-tank, revealed with brutal clarity the cost of Russia's past policy errors.

The IIF calculates that Russia exported oil, gas and other products worth $90bn over the past three years. But $40bn was never repatriated, largely because of negative rouble interests rates, failure to control inflation and the same lack of a proper legal framework for business and investment which deters foreign investors.

This capital flight is virtually identical to the inflows of foreign, mainly governmental and institutional, money, which has flowed into Russia over the same period. The outflow means Russia has had virtually no practical benefit from western financial assistance.

But it also shows the potential role which Russian capital, however dubious its origins and legal ownership, can play in reconstructing the Russian economy, provided Moscow adopts the policies and creates the institutions which have already proved successful in central Europe, and which have been pressed on Moscow with such insistence at the EBRD conference.

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## EUROPEAN NEWS DIGEST

# Move to open rail networks

European Union transport ministers yesterday opted to do more to open up Europe's national railway monopolies, and put in place later this year further measures to encourage independent and cross-border rail operators. Ministers gave an initial green light to two Commission proposals designed to build on the seminal 1991 decision to open up Europe's fragmented rail network to private and transnational train services.

That gave joint ventures between companies of more than one member state access to all EU rail networks needed to provide the service, and the right to the entire EU network to companies operating "combined transport" freight services – shifting cargo through a combination of rail and road.

Fifteen months after the start-up of the single market, however, the 1991 legislative breakthrough has had no practical result. Brussels has therefore come forward with two supplementary laws on access and charging for companies that want to take up their right to use rail infrastructure.

The national monopolies have to account separately for infrastructure and operating costs, in order to be able to set charges for new entrants using state-owned networks. The 12 will now work to systematise this, and to agree on a common licensing system, whereby a licence to operate granted by one member state is valid throughout the EU. *David Gardner, Brussels*

## Netherlands coalition at risk

The Netherlands' ruling coalition of Christian Democrats (CDA) and Labour looks set to lose its majority in parliament in the national elections on May 3, according to an opinion poll released yesterday. The coalition, currently led by Prime Minister Ruud Lubbers, won 103 seats in the 1989 election, but the poll predicts it will muster only 61 seats in the 150-seat lower house of parliament in May.

The CDA has been hit by Mr Lubbers' impending departure from politics, and its share of the vote is forecast to plummet to 28 seats from 54 in 1989. Labour is expected to win 33 seats, down from 49 but better than earlier forecasts of 25 seats.

The poll, conducted by the Nipo polling company, shows that the next coalition would have to consist of at least three parties to rule effectively. *Ronald van de Krol, Amsterdam.*

## Warning on Russian N-plants

Russia does not have the technical or financial capacity to process the nuclear waste produced by its 15 Chernobyl-style reactors, a senior nuclear industry official said yesterday. "Due to the present economic crisis, this problem can't be solved as quickly as it should be," said Mr Yuri Vishnevsky, president of the state committee for the supervision of nuclear and radiation safety.

Mr Viktor Gubanov, head of the committee for safety and ecology at the ministry for atomic energy, said Russia was finalising a federal programme to process nuclear waste but cash shortages could prevent the programme being implemented in full. Mr Gubanov said the ministry was ready to pay Rbs520m towards the project but it would actually cost five or six times that. *Reuter, St Petersburg.*

## Italian petrol strike starts

Italy's road transport is expected to suffer serious disruptions from a three-day strike by petrol station operators. The strike, which began at 7pm yesterdayand is due to end at 7am on Friday,is the product of a long-running dispute between petrol station operators and the oil companies. The operators claim they are inadequately protected against price changes, but the oil companies claim the strike is a disguised protest against efforts to liberalise opening hours and operating conditions. The strike also reflects the problems petrol stations operators foresee in dealing with full price liberalisation and the introduction of discount pricing in May. Strikes which inconvenience the public and cause economic loss are likely to come under scrutiny by the new right-wing government pledged to greater liberalisation. *Robert Graham, Rome.*

## Greek doctors begin stoppage

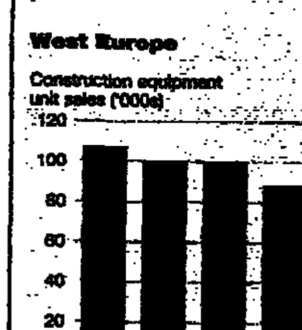
Greek doctors began a nationwide five-day strike yesterday in protest at the government's decision to tax them under a new system which tells them how much they earn and how much tax they should pay. They say that the system is harsh on doctors earning less than the set level and soft on those earning more. Doctors claim that the new system may lead to many giving up the profession. Lawyers have been striking for the same reason for seven weeks, leading to postponement of 60,000 court cases. Dentists plan a one-day strike tomorrow, and truckers have announced an indefinite strike. Parliament is to start debating the new tax system today and may vote by the end of the week. *Associated Press, Athens.*

## EU to pay for cremation probe

A Netherlands crematorium has been chosen to co-ordinate an EU-subsidised investigation into the environmental effects of cremation. Ms Romea Fenster, head of Amsterdam's Westgaarde burial ground and crematorium, said that the study will focus on the impact of strewing ashes and of gases released during cremation. The European Union is providing half the project's Ecu350,000 (£269,000) cost. The study, by crematoria in the Netherlands and Italy, may lead to EU guidelines, Ms Fenster said. "We should be thinking about it now or it could become a problem," she said. Nearly half the Dutch dead are cremated, compared with about 70 per cent of Britons. *Reuter, Amsterdam.*

## ECONOMIC WATCH

## Construction equipment dip




Sales of construction equipment in Europe fell by 11 per cent last year – the biggest annual fall for more than a decade – and could drop a further 5 per cent this year because of a sharp decline in demand in the biggest market: Germany. The forecast, from the London-based Corporate Intelligence Group, provides a gloomy backdrop to Intermat, the construction equipment exhibition, which opens today in Paris. The research group says unit sales of equipment fell last year for the third year running, to 88,177 from 98,669 in 1992, and predicts they will decline to 83,500 units this year. Post-reunification Germany accounted for 46 per cent of European sales last year, compared with just 18 per cent in 1989. This rise was fuelled by the building boom and demand for equipment in eastern Germany, but the peak passed in 1992. Overall German sales fell 12 per cent last year, and another 15 per cent fall is expected this year before stabilising in 1995. *Andrew Baxter, London*

■ Poland's first-quarter industrial output grew by 10.5 per cent year-on-year, the central statistical office said. This is almost double the 5.6 per cent for the whole of 1993.

■ Capital flows into the Czech Republic rose 37 per cent in 1993 from a year earlier to nearly $2.9bn, according to the Czech national bank.

■ Portugal's industrial production index fell 1.3 per cent in December after rising 5.5 per cent in November, the national statistics institute said yesterday.

■ Norway's current account surplus rose to NKr4.24bn (£387m) in January from NKr3.39bn (£310m) a year earlier, according to the central bureau of statistics.

# Greenspan plays an early hand

By Michael Prowse in Washington

When a senior politician gives you cover, use it. That seems to be the motivation for the unexpected quarter point increase in short-term rates signalled by Mr Alan Greenspan, the Federal Reserve chairman, yesterday.

*The Fed's move followed* tacit approval by the Clinton administration at the weekend of a further tightening of monetary policy. Mr Lloyd Bentsen, Treasury secretary, said he expected short-term rates to rise another half point, to 4 per cent, by the end of the year. His remarks make it virtually *certain that rates will rise at* least that much, probably by early summer.

Mr Greenspan was doubtless also keen to respond to stronger-than-expected economic data in recent weeks. Adjusted for the effects of severe winter weather, recent figures indicate the pace of economic growth slowed little, if at all, in the first quarter from the unsustainable rate of about 5 per cent registered in the second half of last year.

In the first quarter, industrial production grew at an annual rate of 7.7 per cent compared with 6.7 per cent in last year's final quarter. The pace of vehicle sales was stronger than at the end of last year and consumer confidence was significantly higher. The main factor pulling down overall growth was a sharp fall in construction, which reflected factors such as bad weather and the Californian earthquake.

The view at the Fed is that unless *further steps are taken* to slow growth, the economy will hit capacity constraints later this year. Yesterday's move was thus intended to help prevent inflationary pressures, already visible in rising *commodity prices, eventually* translating into broader upward pressure on wholesale and consumer price inflation.

But although long bond yields have risen steeply in anticipation of further rate increases, few analysts expected another rate increase so soon. Because the previous two increases had been announced after meetings of the policy-making Federal Open Market Committee, most were convinced the Fed would not move again until a meeting scheduled for May 17. Fed officials fuelled such speculation by indicating another increase in rates was unlikely while markets remained in turmoil.

However, by moving yesterday, after a conference call with the Fed's *regional* presidents, Mr Greenspan was able to quash rumours that his own authority within the Fed had been eroded. Some US commentators had speculated that the FOMC was no longer giving the chairman his customary discretion to raise or lower rates between meetings, if economic *conditions* seemed to warrant action.

Greenspan: quashed rumours that his authority had been eroded

The increase in short rates to 3.75 per cent takes the Fed closer to its goal of re-establishing a "neutral" monetary policy. *But it has clearly not* reached its destination. Yesterday most analysts were betting that the Fed would raise rates by another quarter point at the May 17 meeting. A further quarter or half point increase is then probable in ensuing weeks, taking short rates to about 4.5 per cent by mid-year.

What happens thereafter will depend on the pace of economic growth and inflation *trends. Many analysts expect* the rate of growth to decline from 4-5 per cent at an annual rate now to about 3 per cent towards the end of this year, partly as a result of the increase in short and long-term rates that has already occurred. The rise in mortgage rates, for example, is likely to damp down the housing market.

Monetarist-leaning economists, such as *Mr Mickey Levy* at NationsBank in New York, also point out that increases in short rates have already sharply reduced the rate of growth of bank reserves and other narrow monetary aggregates. They expect this to result in slower growth of nominal spending later this year. Taking all these factors into consideration, optimists believe the Fed might not need to raise rates much beyond 4.5 per cent.

History, however, suggests *that business cycle upswings* are quite hard to control once they gain momentum. Later this year the US could begin to get a boost from economic recovery in Europe and other trading partners. The Fed may thus face irresistible pressure to raise short-term rates to 5 per cent or higher – well above the levels so far sanctioned by senior Clinton administration officials.

# Fears that Brazil debt deal may fail to end uncertainty

## Angus Foster and Stephen Fidler wonder if the slips 'twixt cup and lip are over after years of uncertainty

Mr William Rhodes, chairman of the steering committee of banks which on Friday completed the restructuring of Brazil's $49bn (£33.5bn) of commercial debt, is fond of the saying "many a slip 'twixt cup and lip" to refer to the unpredictability of debt deals.

He and Mr Pedro Malan, the *Brazilian central bank governor*, were at last able to toast the deal after a rush to meet the deadline of Friday midnight in New York. But both men may have wondered, after more than a decade of uncertainty about Brazil's debt, whether the slips were really over.

*Legally, the restructuring* is finished and most participants probably hope its long and at times acrimonious negotiations can be forgotten.

The deal will help restore Brazil's standing with the *international* financial community. However, the country's political and economic uncertainty probably prevents the type of sudden rush of confidence seen after other Latin American deals.

But there are two problems. First, the Dart family of the US, who hold about $1.4bn of debt, refused to take part in the restructuring and may try to challenge it through legal action. Secondly, Brazil holds presidential elections in October and the front-runner in the polls, the left wing Mr Luiz Inácio Lula da Silva, leads a party committed to seeking better terms from its bank creditors.

"Completion is a cause for a good deal of celebration, but some trepidation also," a Brazilian banker remarked.

The restructuring agreed on Friday was the longest in the 14 years of the debt crisis with negotiations beginning in October 1990.

The deal was also the most complicated of the "Brady" restructurings – named after the 1989 initiative by then US Treasury secretary Nicholas Brady – since it offered creditors a complicated package of *six options. These involved a* range of securities and interest rates and rescheduled debt principal for up to 30 years.

Under the deal agreed on Friday, Brazil issued $7.3bn of collateralised discount bonds; $8.4bn of collateralised par bonds; $8.5bn in debt conversion bonds; $2.1bn of new money bonds; $1.7bn in interest reduction bonds; $7.3bn of interest reduction bonds with capitalisation; and $5.6bn of past due interest bonds.

A further $2.1bn will be converted into discount and par bonds once collateral is delivered in the next two years. Brazil delivered $2.8bn of the $4.6bn due as collateral on Friday and drew down $353m under the new money option. The central bank estimated the agreement would reduce by $4bn Brazil's external debt. It will also lead to further savings of $4bn in reduced debt servicing costs.

*Brazil is the last of the big* four Latin American debtors to secure a Brady restructuring. Mexico led the way, followed by Venezuela and Argentina. Brazil's deal broke new ground because interest arrears of some $17bn were negotiated separately and before the restructuring of some $31bn of principal debt.

It was also the first debt agreement to be concluded without an accord in place *with the International Monetary* Fund, although Nigeria completed a deal while out of compliance with the targets of its Fund programme. Brazil failed to win an IMF accord last month, mainly because the IMF was concerned about the stability of the country's economic reforms.

Mr Michael Atkin of the Institute for International Finance, a study group in Washington owned mainly by international banks, said before the deal's closing: "The completion of the deal without the IMF seal of approval would break new ground and signals a shift in the importance attached by the markets to the Bretton Woods institutions."

The lack of an IMF accord meant the Brazilian government could not secure a special issue of zero coupon US Treasury bonds to act as a guarantee in the restructuring. Instead, Brazil was forced to *buy those bonds directly from* the market. Brazil has admitted it started buying zeros in October in case the IMF accord was not granted.

In spite of the IMF setback, the banks remained keen to complete the deal. They feared a further delay would lead to the deal being shelved before the elections.

Lawyers for Brazil's central bank and the country's bank creditors will now be waiting *to see what action, if any, the* Darts will take. The family – led by Mr Kenneth Dart who was recently reported to have become a Belize citizen – is likely, along with other investors, to have taken sharp losses with the declines in recent weeks of sovereign debt prices.

While the banks wait for the Darts, there was good news last week from Mr da Silva. He and fellow moderates won a fierce debate about foreign debt in the São Paulo branch of his Workers' Party (PT).

This may mean his party's election stance will be to seek renegotiation of Brazil's foreign debt rather than a debt moratorium, as many PT radicals demand.

Mr Aloízio Mercadante, another PT moderate and possible finance minister if Mr da Silva wins, said: "The present government is at the end of its mandate and is weak, so cannot be the best interlocutor of our foreign debt. This new debt agreement can therefore only be temporary."

The bankers' hope must be that either the PT's poll lead drains away or that an incoming PT government will have many other domestic priorities before that of fighting its bank creditors. Otherwise, the banks *may start reminding* Mr Rhodes of his favourite saying.

## Mitchell outlines less costly alternatives

# Health options for Clinton

By Jurek Martin in Washington

*President Bill Clinton left* Washington for Milwaukee yesterday on yet another drive to promote healthcare reform amid signs that he is willing to back more modest alternatives advanced by Senator George Mitchell, the Democratic majority leader.

Mr Mitchell, who last week turned down a chance to serve on the Supreme Court in order to lead the fight for healthcare reform, laid out his ideas at a weekend party policy retreat in Virginia. Mr Clinton attended the session, as did Mr Ira Magaziner, the White House adviser who is one of the principal architects of the administration's bill.

According to the New York Times, Mr Mitchell's suggestions preserve the essentials of the president's goals – universal uncancellable coverage, with employers bearing a share of costs for workers.

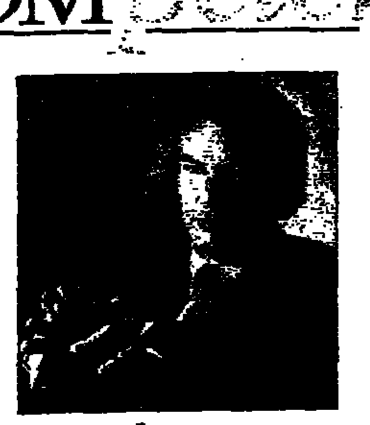
But each of his variations would be less costly to both the government and companies. For example, Mr Mitchell raised the idea that employers should be asked to bear only 50 per cent of the insurance bill, rather than the 80 per cent in the administration proposals, with companies with more than 1,000 staff retaining the option to provide their own healthcare programme. The Clinton plan confines this option to those with more than 5,000 employees.

He also suggested a more limited package of insurance benefits and different ways of subsidising small businesses by basing such payments not on total payrolls but on the age of each worker. This, he argued, would spread subsidies more evenly to make easier coverage for the lower paid.

Mr Mitchell calculated that his approach could reduce the average employer premium for each family by about 16 per cent and cut the government bill by about $150bn-$165bn (£103bn-£113bn) by the end of the century. Earlier this year the Congressional Budget Office, the independent watchdog, reported that the Clinton plan would increase federal spending, not cut it, by $74bn by the year 2000.

The senator did not portray his ideas as a concrete plan but he recognises the importance of making legislative progress in the weeks ahead, given the assumption that the Clinton plan, as drafted, cannot pass.









# Calls grow for Haiti invasion

A second US congressman has raised the issue of an American military invasion of Haiti, but only after first tightening sanctions against the troubled Caribbean state, Reuter reports from Washington.

Senator John Kerry, a Massachusetts Democrat, said on Sunday: "I don't think it is the first step, but it is certainly high on my list of options, depending on what the scenario afterwards would be."

Representative David Obey, a Wisconsin Democrat, said in a newspaper interview last week that US forces should invade Haiti to remove its military government, which ousted President Jean-Bertrand Aristide shortly after he became Haiti's first democratically elected head of state. Mr Aristide should then call for new internationally supervised elections, Mr Kerry said.

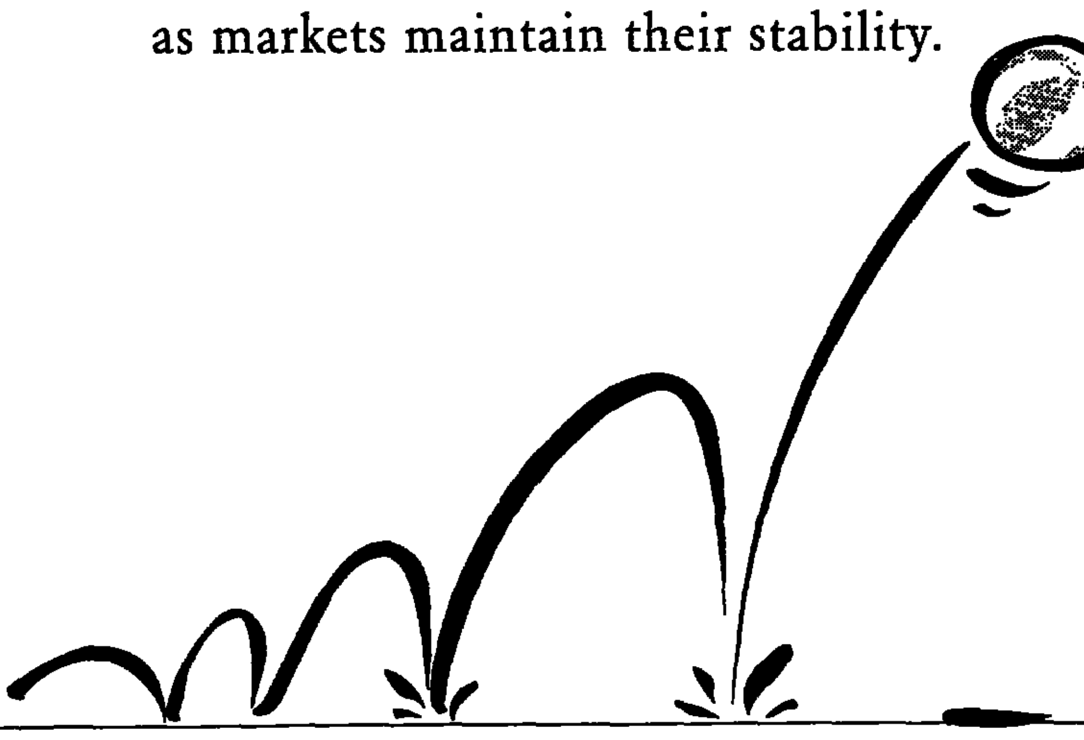
The State Department had said that it would look at the call for an invasion, but that Washington would meanwhile continue to pursue a diplomatic solution.

The invasion calls came as Mr Aristide criticised US policy on Haiti and urged Washington to increase sanctions against the military rulers.

He said during a visit to Berkeley, California, that he was unhappy with President Bill Clinton's policy on Haiti, which he described as "racist" and "a clear violation of human rights".

He condemned the US for forcibly repatriating Haitian refugees trying to flee the island where, according to news reports, a new wave of political terror has been launched against his supporters.





# Watanabe wavers on bid to become prime minister

By William Dawkins in Tokyo

Mr Michio Watanabe, a faction chief in Japan's opposition Liberal Democratic party, yesterday voiced second thoughts over his campaign for the prime ministership.

A tired looking Mr Watanabe said he needed more time to consider. He appeared on *the brink of dropping* out of the power struggle unleashed by the recent resignation of Mr Morihiro Hosokawa as prime minister, so leaving the way clear for the coalition's likely candidate - Mr Tsutomu Hata, foreign minister.

The alliance hopes to stage a parliamentary vote on its prime ministerial candidate tomorrow or later, said Diet officials. A parliamentary committee is due to decide the timing today, a day later than planned because of uncertainty created by Mr Watanabe's ambiguous bid for power. However, coalition members want to finalise a policy accord before proposing Mr Hata as prime minister, in an attempt, seen by many analysts as optimistic, to avoid the unscheduled rows that dogged the previous government.

Party representatives were yesterday discussing a draft accord, prepared over the weekend.

Mr Yohei Kono, LDP president, yesterday met Mr Watanabe in a second attempt to persuade him to stay in the party, but failed to stop a trickle of defections. Nearly 30 politicians have left both the government and opposition camps over the past 10 days, mainly to stand as independents, in the upheaval provoked by Mr Hosokawa's resignation.

By yesterday evening 11 of the LDP's 219 members of parliament had announced their resignations.

Of the total, five have formed a new party, the New Future party, which says it might work with the coalition. Under new laws, parties with a minimum of five members of parliament qualify for state subsidies.

Another five LDP defectors are supporters of Mr Watanabe, who have not yet declared their intentions, while one defector has said he will join one of the coalition parties.

One member of Mr Watanabe's faction said Mr Watanabe could bring a total of 11 followers with him if he did leave the LDP. He likened Mr Watanabe to the second world war battleship Yamato, a supposedly unsinkable vessel which was sent to the bottom after it went to meet the US fleet in 1944 with a one-way supply of fuel.

Separately, three members of the parliament left Mr Hosokawa's Japan New party to stand as independents yesterday, in protest at his growing closeness to Mr Ichiro Ozawa, the coalition's backroom power-broker. This follows last week's decision by another group, the New *Harbinger* party, to distance itself from the coalition.

## JAPANESE INVESTORS START TO WITHDRAW FROM US PROPERTY MARKET

Japanese investors financially restructured, sold or announced sales of a total $17.6bn (£11.95bn) in US property investments last year, according to Kenneth Leventhal & Company, US accountants, writes Emiko Terazono in Tokyo. While US banks and life assurers have the real estate lending problems behind them and expect to post record profits this year, Japanese institutions, which have only recently started to tackle their domestic bad property investments and loans, have been slow in dealing with investments in the US market made in the asset boom of the late 1980s.

The 1993 figure amounts to 23 per cent of the $77.5bn in US real estate investments by Japanese investors, including banks, property companies and construction companies, made in 1985-93.

The New York and Chicago office markets, the New York hotel market and the Orange County and San Diego industrial markets, which make up a quarter of Japanese investments, are not expected to recover for three more years. Another 25 per cent is in the Los Angeles office and Hawaii hotel markets, where recovery is not expected for at least five years.

Japanese institutions have traditionally taken the "hold and wait" strategy in dealing with problem US real estate assets in the hope that US property markets will would recover.

Of the $17.58bn liquidated or restructured last year, 45 per cent has been in hotels and resorts.

# S Korea and US agree hard line

By John Burton in Seoul

The US will not hold new high-level discussions with North Korea unless it accepts full international nuclear inspections by early May, US and South Korean officials agreed yesterday.

South Korea meanwhile received its first shipment of Patriot missiles to defend military bases against possible attacks by North Korean Scud missiles. The missiles, which arrived in the port of Pusan, will be deployed by the end of the month.

Mr Robert Gallucci, who heads the US policy group on North Korea, reaffirmed the condition for talks with Pyongyang during a meeting in Seoul with Mr Kim Sam-hoon, his South Korean counterpart.

North Korea has claimed direct talks with the US would solve the dispute over nuclear inspections by the International Atomic Energy Agency. Pyongyang is believed to be seeking US diplomatic recognition in return for accepting inspections.

South Korea on Friday withdrew a demand for an exchange of envoys with North Korea, clearing the way for renewed talks between Washington and Pyongyang.

The special envoys would have discussed inter-Korean nuclear inspections, which would be more intrusive than those conducted by the IAEA.

The decision was meant to break a diplomatic impasse by separating inter-Korean talks from US-North Korean negotiations. South Korea had previously insisted the two sets of negotiations be conducted simultaneously, but North Korea has refused to do so.

## Thais invite Burma to Asean

Mr Prasong Soonsiri, Thailand's foreign minister, flies to Burma today to invite Rangoon's military regime to attend the Association of South-East Asian Nations ministerial meeting in July, William Barnes writes from Bangkok.

Indonesia, Malaysia and the Philippines have been persuaded to set aside "reservations" that such an invitation to a widely reviled administration could disrupt the organisation's relations with its western trading partners.

Asean ministerial meetings are followed by a regional forum and then meetings with its seven "dialogue partners" - the US, European Union, Australia, Canada, South Korea, Japan and New Zealand. Burma will probably be invited as a guest of the host, Thailand, rather than - more significantly - as a guest of Asean.

# Australian coal miners to strike over export prices

By Nikki Tait in Sydney

Australian coal miners are to stage a 48-hour strike from today in protest at the contract prices for steaming coal agreed between the country's coal companies and Japanese power industry buyers.

In March, mineworkers staged similar industrial action, that time in protest at the coking coal price cuts which coal companies had accepted in the annual negotiations with the Japanese steel mills. The government has instigated a six-month review of the nation's export coal industry as a result.

The latest bout of industrial action will start with the first shift today and work will resume with the first shift on Thursday. Over 20,000 mineworkers will be involved, and the action is expected to close production in Queensland and New South Wales. Coal is Australia's largest single export.

The outcome of the steaming coal contract negotiations, announced at the end of March, was closely watched because of the political furore which had followed an unexpectedly large cut in coking coal prices agreed earlier in the year. In the event, the steaming coal price was reduced by 5.8 per cent, while the coking coal reduction was around 8 to 9 per cent.

However, it had always been felt the underlying market conditions for thermal coal were better. While the coking coal market has been severely affected by the Japanese steel mills' problems and by changes in steel-making technology, steaming coal demand stands to benefit from the growth in Asian power station users.

The Queensland Mining Council said the strike would cost up to A$52m (£25.5m) in lost production. Mr David Beddall, federal resources minister, also condemned the strike.

News of the mineworkers' action came as Mr Lee Kuan Yew, former Singapore prime minister, blasted Australian work ethic problems. At a business lunch in Sydney, he warned that, if the country wanted to compete in Asia, "Australians must be weaned from welfare dependency and become self-reliant and competitive".

# Native title fears dismissed

Moody's, the US-based rating agency, said yesterday that it believed the impact on Western Australia of the new federal native title legislation "may prove to be less than feared", Nikki Tait writes from Sydney.

The new legislation, which came into force on January 1, acknowledged that Aboriginal people could possess native title rights over land in Australia and set up a system for deciding land claims, and deciding on appropriate compensation where the land had been allocated for other purposes. Western Australia is thought to be the state most affected.

● Mr Laurie Brereton, Australia's federal transport minister, said yesterday that he was in favour of selling "a very limited number" of the nation's airports, currently under the control of the Federal Airports Corporation, into the private sector. He put Melbourne's Tullamarine airport at the top of the list of airports which might be sold.

Martin Lee (centre), head of Hong Kong's United Democrats party, whose call for more democracy in the colony is opposed by China, links hands with Anthony Cheung (left), head of the Meeting Point party yesterday after announcing they will join to form the Democratic party, write Simon Holberton in Hong Kong and Reuter. The move marks a realignment of Hong Kong's pro-democracy groups with the new party commanding 17 seats in the Legislative Council, making it the largest in the 60-member parliament. The merger consolidates support for Governor Chris Patten's pro-democracy legislation. AP

# China's PM in Central Asia

By Tony Walker in Beijing

Mr Li Peng, China's prime minister, has begun a four-nation tour of Central Asia aimed at promoting Beijing's political and commercial interests in an unstable region on its troubled western frontier.

Mr Li, who last year deferred a visit to the former Soviet republics because of heart problems, is certain to seek assurances that Central Asian leaders will not help Moslem separatists in China itself. China has a Moslem population of about 10m, with most in the under-populated western province of Xinjiang.

He arrived in Uzbekistan yesterday and will visit Turkmenistan, Kyrgyzstan and Kazakhstan before returning home via Mongolia. For the first time, a Chinese leader travelling abroad has included businessmen and traders in his party.

Mr Zheng Hongye, president of the China Council for the Promotion of International Trade, said businessmen would sign a "range of agreements" in construction, textiles, electronics, telecommunications, petrochemicals and mineral resources.

Beijing is anxious to extend its commercial reach into Central Asia as a means of strengthening its political influence in a region that traditionally it has regarded as important to its security and well-being.



## INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

### UNITED STATES

| | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate |
|---|---|---|---|---|---|
| 1985 | 279.8 | −174.2 | −162.5 | 0.7623 | 100.0 |
| 1986 | 230.9 | −140.6 | −152.7 | 0.9836 | 80.2 |
| 1987 | 220.2 | −131.8 | −145.0 | 1.1541 | 70.3 |
| 1988 | 272.5 | −100.2 | −107.5 | 1.1833 | 66.0 |
| 1989 | 330.2 | −99.3 | −92.2 | 1.1017 | 69.4 |
| 1990 | 309.0 | −79.3 | −72.1 | 1.2745 | 65.1 |
| 1991 | 340.5 | −53.5 | −6.7 | 1.2391 | 64.5 |
| 1992 | 345.8 | −64.1 | −51.2 | 1.2967 | 62.9 |
| 1993 | 397.2 | −98.8 | −93.3 | 1.1705 | 65.6 |
| 1st qtr.1993 | 95.1 | −21.8 | −18.8 | 1.1920 | 66.4 |
| 2nd qtr.1993 | 95.3 | −25.4 | −22.6 | 1.2069 | 64.3 |
| 3rd qtr.1993 | 99.7 | −27.2 | −24.5 | 1.1443 | 65.4 |
| 4th qtr.1993 | 107.6 | −24.5 | −27.7 | 1.1388 | 66.4 |
| March 1993 | 33.0 | −8.9 | n.a. | 1.1789 | 66.2 |
| April | 31.5 | −8.3 | n.a. | 1.2214 | 64.3 |
| May | 32.0 | −6.9 | n.a. | 1.2161 | 63.9 |
| June | 31.8 | −10.2 | n.a. | 1.1833 | 64.5 |
| July | 32.7 | −9.2 | n.a. | 1.1349 | 65.9 |
| August | 33.8 | −8.9 | n.a. | 1.1251 | 65.7 |
| September | 33.2 | −9.1 | n.a. | 1.1728 | 64.7 |
| October | 34.6 | −9.4 | n.a. | 1.1597 | 65.5 |
| November | 35.7 | −8.6 | n.a. | 1.1282 | 66.6 |
| December | 37.4 | −6.5 | n.a. | 1.1267 | 67.0 |
| January 1994 | 35.5 | −8.8 | n.a. | 1.1139 | 67.5 |
| February | | | n.a. | 1.1184 | 66.7 |

### JAPAN

| | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate |
|---|---|---|---|---|---|
| 1985 | 230.8 | 76.0 | 64.5 | 180.50 | 100.0 |
| 1986 | 211.1 | 96.2 | 88.9 | 165.11 | 124.4 |
| 1987 | 197.3 | 86.1 | 75.5 | 166.58 | 133.2 |
| 1988 | 219.8 | 80.7 | 66.6 | 151.51 | 147.3 |
| 1989 | 245.3 | 70.5 | 52.4 | 151.87 | 141.9 |
| 1990 | 220.0 | 50.1 | 26.3 | 183.94 | 126.0 |
| 1991 | 247.4 | 83.1 | 82.9 | 166.44 | 137.0 |
| 1992 | 254.8 | 101.8 | 89.8 | 164.05 | 142.9 |
| 1993 | 300.4 | 120.3 | 110.3 | 130.31 | 173.8 |
| 1st qtr.1993 | 72.6 | 29.8 | 30.2 | 144.38 | 158.5 |
| 2nd qtr.1993 | 73.4 | 29.0 | 28.1 | 132.76 | 172.4 |
| 3rd qtr.1993 | 79.7 | 31.8 | 27.6 | 120.89 | 183.7 |
| 4th qtr.1993 | 75.0 | 29.8 | 26.3 | 123.20 | 180.2 |
| March 1993 | 25.5 | 10.4 | 13.6 | 138.61 | 164.4 |
| April | 24.6 | 10.0 | 9.7 | 137.17 | 167.8 |
| May | 23.4 | 10.1 | 8.9 | 134.15 | 171.0 |
| June | 25.3 | 8.8 | 7.5 | 126.97 | 178.2 |
| July | 26.8 | 11.4 | 9.7 | 122.24 | 181.1 |
| August | 26.4 | 9.8 | 8.5 | 116.79 | 188.2 |
| September | 26.4 | 10.6 | 9.4 | 123.63 | 181.8 |
| October | 24.7 | 9.7 | 9.0 | 124.03 | 180.4 |
| November | 24.6 | 9.5 | 8.1 | 121.86 | 181.8 |
| December | 25.7 | 10.5 | 9.1 | 123.92 | 178.5 |
| January 1994 | 27.0 | 11.4 | 10.1 | 124.03 | 177.0 |
| February | 26.8 | 11.3 | 9.8 | 118.77 | 185.2 |

### GERMANY

| | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate |
|---|---|---|---|---|---|
| 1985 | *242.8* | *33.2* | *21.7* | *2.2260* | *100.0* |
| 1986 | *248.6* | *53.3* | *40.3* | *2.1279* | *108.8* |
| 1987 | *254.3* | *56.6* | *39.8* | *2.0710* | *115.3* |
| 1988 | *272.6* | *61.5* | *42.9* | *2.0739* | *114.6* |
| 1989 | *310.2* | *65.3* | *52.9* | *2.0681* | *113.5* |
| 1990 | 323.9 | 51.5 | 37.2 | 2.0537 | 119.1 |
| 1991 | 327.4 | 11.2 | −18.2 | 2.0480 | 117.7 |
| 1992 | 330.6 | 16.8 | −19.5 | 2.0187 | 121.2 |
| 1993 | 310.0 | 30.0 | −18.7 | 1.9337 | 124.6 |
| 1st qtr.1993 | 78.9 | 4.5 | −4.0 | 1.9476 | 125.8 |
| 2nd qtr.1993 | 75.1 | 7.6 | −2.9 | 1.9530 | 124.0 |
| 3rd qtr.1993 | 76.6 | 8.1 | −9.3 | 1.9180 | 123.9 |
| 4th qtr.1993 | 81.5 | 11.8 | −2.6 | 1.9161 | 124.8 |
| March 1993 | 24.0 | 1.7 | 0.6 | 1.9399 | 125.7 |
| April | 25.5 | 2.0 | −2.4 | 1.9483 | 125.5 |
| May | 24.8 | 2.9 | −1.1 | 1.9548 | 124.1 |
| June | 25.1 | 2.8 | 0.6 | 1.9559 | 122.6 |
| July | 24.1 | 2.2 | −4.1 | 1.9468 | 122.0 |
| August | 26.5 | 2.1 | −3.3 | 1.9081 | 123.6 |
| September | 25.9 | 1.9 | −1.9 | 1.8896 | 126.1 |
| October | 27.4 | 4.2 | −2.3 | 1.8995 | 126.2 |
| November | 27.4 | 3.7 | 0.2 | 1.9182 | 124.5 |
| December | 26.7 | 3.8 | −0.4 | 1.9306 | 123.7 |
| January 1994 | | | −2.9 | 1.9415 | 122.2 |
| February | | | | 1.9397 | 121.8 |

### FRANCE

| | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate |
|---|---|---|---|---|---|
| 1985 | 133.4 | −3.6 | −0.2 | 6.7942 | 100.0 |
| 1986 | 127.1 | 0.0 | 3.0 | 6.7946 | 102.8 |
| 1987 | 128.3 | −4.6 | −3.7 | 6.9265 | 103.0 |
| 1988 | 141.9 | −3.9 | −3.4 | 7.0354 | 100.8 |
| 1989 | 162.6 | −6.3 | −3.6 | 7.0169 | 99.8 |
| 1990 | 170.1 | −7.2 | −7.2 | 6.9202 | 104.8 |
| 1991 | 175.4 | −4.2 | −4.9 | 6.9643 | 102.7 |
| 1992 | 182.5 | 4.6 | 2.9 | 6.8420 | 106.0 |
| 1993 | 177.6 | 12.8 | 8.9 | 6.6321 | 108.3 |
| 1st qtr 1993 | 43.0 | 2.2 | 0.4 | 6.6067 | 110.0 |
| 2nd qtr 1993 | 44.3 | 3.2 | 1.4 | 6.6118 | 109.7 |
| 3rd qtr 1993 | 44.7 | 3.4 | 3.5 | 6.6505 | 106.4 |
| 4th qtr 1993 | 45.5 | 4.2 | 3.5 | 6.6431 | 107.3 |
| March 1993 | 14.5 | 0.97 | −0.31 | 6.5919 | 103.9 |
| April | 14.8 | 0.95 | −0.21 | 6.5875 | 110.5 |
| May | 15.2 | 1.58 | 2.08 | 6.5636 | 109.8 |
| June | 14.6 | 0.61 | −0.42 | 6.5842 | 109.5 |
| July | 15.2 | 1.89 | 1.27 | 6.6290 | 107.0 |
| August | 14.4 | 0.39 | 1.27 | 6.6701 | 105.3 |
| September | 15.1 | 1.29 | 1.00 | 6.6465 | 107.0 |
| October | 14.7 | 1.02 | 1.17 | 6.6631 | 106.5 |
| November | 15.0 | 1.20 | 0.02 | 6.6637 | 106.8 |
| December | 15.7 | 2.00 | 2.38 | 6.6025 | 108.2 |
| January 1994 | 14.7 | 0.41 | | 6.5956 | 107.9 |
| February | | | | 6.5905 | 107.6 |

### ITALY

| | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate |
|---|---|---|---|---|---|
| 1985 | 103.7 | −16.0 | −5.4 | 1443.0 | 100.0 |
| 1986 | 99.4 | −2.5 | −1.4 | 1461.6 | 101.4 |
| 1987 | 100.7 | −7.5 | −2.1 | 1494.3 | 101.2 |
| 1988 | 108.3 | −8.9 | −8.0 | 1538.8 | 97.8 |
| 1989 | 127.8 | −11.3 | −17.0 | 1509.2 | 98.6 |
| 1990 | 133.6 | −9.3 | −18.0 | 1523.2 | 100.6 |
| 1991 | 137.0 | −10.5 | −17.7 | 1531.3 | 98.9 |
| 1992 | 137.9 | −8.0 | −20.6 | 1591.5 | 95.7 |
| 1993 | | | | 1836.7 | 79.6 |
| 1st qtr 1993 | 32.4 | 0.8 | −2.8 | 1839.8 | 80.5 |
| 2nd qtr 1993 | 36.5 | 3.9 | 1.7 | 1814.2 | 81.4 |
| 3rd qtr 1993 | 34.2 | 6.1 | 3.2 | 1813.0 | 79.8 |
| 4th qtr 1993 | | | | 1879.8 | 77.0 |
| March 1993 | 11.7 | −0.1 | −0.8 | 1876.4 | 78.5 |
| April | 11.8 | 1.1 | 0.1 | 1871.4 | 79.0 |
| May | 12.4 | 1.2 | 0.8 | 1793.2 | 82.2 |
| June | 12.5 | 1.8 | 0.8 | 1778.0 | 82.5 |
| July | 14.7 | 4.4 | 2.6 | 1796.8 | 80.8 |
| August | 7.6 | 0.8 | 0.3 | 1804.2 | 79.7 |
| September | 12.0 | 0.9 | 0.1 | 1836.0 | 78.8 |
| October | 13.2 | 2.3 | 2.0 | 1854.9 | 78.2 |
| November | 12.4 | 1.7 | −0.5 | 1880.7 | 77.0 |
| December | | | | 1903.8 | 76.1 |
| January 1994 | | | | 1892.5 | 76.2 |
| February | | | | 1883.9 | 76.4 |

### UNITED KINGDOM

| | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate |
|---|---|---|---|---|---|
| 1985 | 132.4 | −5.7 | 3.8 | 0.5890 | 100.0 |
| 1986 | 108.3 | −14.2 | −1.3 | 0.6706 | 91.6 |
| 1987 | 112.3 | −16.4 | −7.1 | 0.7047 | 90.1 |
| 1988 | 120.9 | −32.3 | −25.0 | 0.6643 | 95.5 |
| 1989 | 137.0 | −36.7 | −33.5 | 0.6728 | 92.6 |
| 1990 | 142.3 | −26.3 | −25.6 | 0.7150 | 91.3 |
| 1991 | 147.7 | −14.7 | −10.9 | 0.7002 | 91.7 |
| 1992 | 145.5 | −18.2 | −13.5 | 0.7359 | 89.4 |
| 1993 | 156.4 | −17.3 | −13.7 | 0.7780 | 80.2 |
| 1st qtr 1993 | 37.5 | −4.2 | −3.9 | 0.8017 | 78.5 |
| 2nd qtr 1993 | 37.9 | −4.1 | −4.1 | 0.7862 | 80.2 |
| 3rd qtr 1993 | 40.5 | −4.0 | −2.3 | 0.7805 | 81.0 |
| 4th qtr 1993 | 39.6 | −5.0 | −3.4 | 0.7635 | 81.0 |
| March 1993 | 12.6 | −1.3 | n.a. | 0.8061 | 78.2 |
| April | 12.4 | −1.8 | n.a. | 0.7894 | 80.5 |
| May | 12.5 | −1.4 | n.a. | 0.7855 | 80.5 |
| June | 13.0 | −1.2 | n.a. | 0.7837 | 79.5 |
| July | 13.3 | −1.6 | n.a. | 0.7595 | 81.5 |
| August | 14.0 | −0.8 | n.a. | 0.7546 | 81.5 |
| September | 13.3 | −1.8 | n.a. | 0.7685 | 80.8 |
| October | 13.6 | −1.2 | n.a. | 0.7712 | 80.4 |
| November | 12.9 | −1.7 | n.a. | 0.7620 | 81.0 |
| December | 13.1 | −2.1 | n.a. | 0.7573 | 81.7 |
| January 1994 | | | n.a. | 0.7456 | 82.4 |
| February | | | n.a. | 0.7657 | 81.0 |

Due to the introduction of the single market, EU countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in *italics*, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

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# The new S Africa rises in Boer heartland

## Patti Waldmeir finds Afrikaner and ANC learning to live together even before the poll

Member of the National Peacekeeping Force faces ANC taunts in Tokoza township after a man was arrested for having an AK47 AP

SOUTH AFRICAN ELECTIONS April 26-28

"I told my friends at the golf course on Saturday, 'Mark my words, on the 26th of May [a month after South Africa's election] we will be sitting here, having a beer, nothing is going to disappear'." Mr Kobus Botha, golfer, lawyer, and right-wing town councillor in Viljoenskroon, one of the country's most conservative towns, has made his peace with the new South Africa.

He still believes in apartheid, he still thinks Afrikaners should have their own homeland – but he is preparing to live under the African National Congress government which will almost certainly be elected in the all-race poll on April 26-28. And the ANC in Viljoenskroon, which will soon control the council of this small Orange Free State town, is not only willing but eager to learn to live with Mr Botha.

On the face of it, little has changed in this classic town of the Afrikaner *platteland*, the rural hinterland where white hostility to black is supposedly at its highest. Road signs marking the entry to Viljoenskroon are plastered with right-wing stickers declaring "This is our *volkstaat* (homeland)"; and the wide, impeccably maintained streets of the white town still contrast sharply with the rutted, near-impassable dirt roads of Rammulotsi township, where night-soil buckets provide the only sewerage for many residents.

Yet Viljoenskroon is about to experience its own local revolution to rival any that the national politicians can deliver. By election day, the town's all-white council (dominated by the ultra-right Conservative party by a ratio of six to one) will in effect be replaced by an interim body in which whites and blacks will split the seats between them.

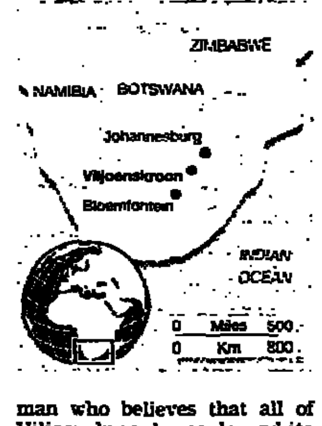
Though this body is merely a "negotiating forum" charged with hammering out a new local government structure before local elections later this year, it marks the first step to integrated local government, and crucially, the first move toward sharing Viljoenskroon's (white) tax base between its 30,000 to 40,000 black and 2,500 white residents.

Other, less conservative towns, took steps months or years ago to integrate local government. Viljoenskroon held out. Even the decision to set up the new 50-50 body was not voluntary: under new legislation, the white council would have been removed if it had not accepted this option.

But if the white council's public stance is reluctant, even obstructive, local ANC officials say there is considerable co-operation behind the scenes. The head of the ANC's local government section in Rammulotsi, Mr Lucky Phooko, says he believes four out of the seven white councillors will co-operate with the ANC. Some are already offering advice, in a clandestine fashion, by telephone.

"The CP [Conservative Party] guys have acclimatised with the law. It's now that they respect us and treat us as human beings," Mr Phooko says, adding that the ANC wants to draw on the expertise of white councillors, especially in budgetary matters.

"We're going to utilise these guys, the Boers [right-wing Afrikaners], because of their expertise in local government. Most of the Boers have been misinformed about the ANC. If we explain clearly to them . . . if we can work together . . . you will see a transformation in our township," he says with the enthusiasm of a man who believes that all of Viljoenskroon's people – white and black – will be happier, more prosperous and more secure living together than living separately under apartheid.




Mr Phooko knows that, even after the elections, whites will still have a statutory 30 per cent share of the council (though they make up less than a tenth of the population). This will give them what will in effect be a veto over the budget. But he seems happy with the compromise, which was offered by the ANC in the last stages of constitutional negotiations to calm white fears.

He seems more concerned at persuading Rammulotsi residents to resume rent and service payments after a long boycott: "For one to get something you have to give something up – that is what we are going to teach our people," he says.

Things could still go badly awry. Kobus Botha draws a bottom line below which he will not compromise. "Religion, a basic education for my kids, a chance to do a job, a decent living – not necessarily in the same luxury, we've lived like kings! – personal safety.

"If you can't go on holiday without running into an *impi* [Zulu war party] at Pietermaritzburg . . . then you have to say, is it worth it? Perhaps you'd be better off in a bachelor flat in New Zealand."

Ironically, Mr Botha says he hopes the ANC scores a big win at the polls. "I'd like the ANC to win 75 per cent and immediately restore law and order: get back capital punishment, get out the army and shoot them [perpetrators of violence and crime] to pieces."

He has an unlikely ally in Mr Louis Botha (no relation), the local chairman of the ruling National party, who also hopes for an ANC triumph. "We need a very strong government which must have the ability to rule in a very strict way," he says, adding the ANC must wield even more power than the National party.

But if this seems an unlikely fan club for the ANC, some Viljoenskroon residents provide a more predictable response to the upcoming elections. Mr Kerneels Dercksen, a local farmer and militant member of the Afrikaner Volksfront, is always ready with the clichés of the right: "The Afrikaner will not tolerate the ANC to govern. This country will go up in smoke."

He says he will not pay taxes to the new government, has installed a large generator to cope with retaliatory interruptions in electricity supply and has erected a formidable security fence around his farm to keep out the ANC. He says his phone and home are bugged by the security forces which used to serve apartheid and which are now preparing to serve the ANC.

Will he disrupt the elections? Not personally, he says. Will he move to a *volkstaat*? No, but he will buy a plot there as insurance against the future.

Lawyer Kobus Botha probably comes closest to summing up the local mood: "It's business as usual here. People are worried, they're concerned, but they're not nervous. They're buying tractors, not Krugerrands."

Return of Golan seen as crux

# Israel to offer package to Syria

By Julian Ozanne in Jerusalem

Israel has formulated a comprehensive package for negotiations with Syria on a withdrawal from the occupied Golan Heights which it wants Mr Warren Christopher, US secretary of state, to deliver to Damascus later this month.

Israeli officials said the US had told Jerusalem that, if the Christopher mission succeeds, Syria had promised to upgrade current peace talks to foreign minister level and enter direct military-to-military talks.

Mr Dennis Ross, US Middle East peace envoy, is expected in Israel on Friday before flying to Damascus to prepare for Mr Christopher's Middle East shuttle next week.

The success of the US mission, however, will depend on Israel's commitment to a full withdrawal from Golan, a key Syrian demand. A Syrian spokesman said: "Syria will never accept anything less than full Israeli withdrawal from the Golan. . . Is Israel ready to return the land, the whole land? This is the question that needs to be answered."

One option being considered by Israel is to make an early formal renunciation of its claims to sovereignty over the Heights as a confidence-building measure. Mr Yossi Sarid, environment minister, said yesterday: "Without giving up sovereignty on the Golan it will not be possible to push forward the peace process and reach a positive result."

Mr Yitzhak Rabin, Israeli prime minister, has confirmed newspaper reports of a new Israeli peace plan. Mr Rabin said Maj Gen Ilan Biran at Central Command had presented a document detailing Israel's security requirements in any Golan withdrawal.

The new peace plan deals with what Israel sees as the four fundamental issues of any agreement - the extent of withdrawal, the nature of peace, security arrangements and the timetable of phases of withdrawal. Israeli newspapers said the plan included:

- An Israeli declaration of withdrawal.
- Full diplomatic relations with open borders and trade.
- Israeli withdrawal to be implemented in phases over a period of years.
- Normalisation of relations and establishment of diplomatic ties after the first phase of withdrawal which would leave Israel still controlling most of the Heights.
- Security arrangements including substantial force reductions, early warning stations, confidence building measures, international observers and demilitarised areas.

Mr Rabin has promised to take any peace deal with Syria to a referendum.

# Officials act to quell bank sale worries

Israeli officials yesterday sought to deflect concern about the country's privatisation programme after the government delayed selling a controlling stake in Bank Leumi, Israel's second largest bank, Julian Ozanne reports.

Mr Gil Leidner, a senior privatisation official, said the government had delayed by 30 days closing the tender for the sale of 20 to 40 per cent of Bank Leumi because of substantial investor interest. Mr Liedner said three new foreign investors had come forward late in the tender process. Sale of a controlling stake in Bank Leumi, worth between \$360m and \$720m (£244m and £488m), will be the government's biggest divestiture so far.

The Finance Ministry has budgeted revenue of \$1.5bn this year from its sell-off programme which includes controlling stakes in Bank Leumi, Bank Hapoalim, Bank Mizrahi, Israel Chemicals and El Al, the state-owned airline.

However, some financial analysts speculated that the sale of Bank Leumi was in trouble and would affect the government's privatisation hopes.

# Intelsat signs first direct UK customer

By Jenny Luesby

Intelsat, the world's largest commercial satellite system, has signed up a its first direct customer in the UK, in the only contract of its kind in western Europe or the US.

Mr Charles Ross of Beednet, the Bravo Eastern Europe Digital Network, last week agreed a deal with Intelsat to use its satellites to offer voice, data, fax and TV services between the UK and the Czech and Slovak republics – where in 1992 Beednet won the first satellite-user licence.

Until now, Intelsat capacity has had to be purchased through the signatories to the international treaty governing the organisation. However, the UK last month ended the monopoly of its Intelsat signatory, British Telecom.

This liberalisation has been made more important by the fact that, together with Hong Kong, the UK accounts for around 11 per cent of Intelsat traffic, second only to the US, at 22 per cent.

UK companies can now buy satellite capacity directly from Intelsat and take part in the organisation's user and policy meetings up to board or governor level.

Intelsat is delighted at the deregulation. "It is absolutely in our interest to open up access," said Mr Irving Goldstein, Intelsat director-general and chief executive officer. "Companies don't have to go through a third party when dealing with our competitors."

But the UK move is being closely watched by the US signatory, Comsat, which is resisting pressure to relinquish its own monopoly. Comsat already faces an anti-trust suit filed with the US Federal Communications Commission by Panamsat. A clear shift in business to a more open UK market would further raise the pressure for an end to its special status.

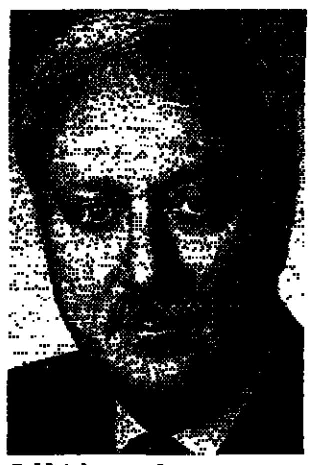
However, the UK move is an isolated one. Although Chile was the first to break away from signatory-only access to Intelsat, followed last year by Argentina, both countries account for less than 2 per cent of Intelsat traffic.

The UK's Department of Trade and Industry, which says it will be "as encouraging as possible" in issuing licences to direct users, is also pushing for users to be allowed direct access to Intelsat's pan-European cousin, Eutelsat.

"It is to the UK's credit that they have forged ahead with opening this market," Mr Ross said yesterday. "Everyone wants this access and it can only bring end-user prices down."

Moreover, the UK banking sector will be a big beneficiary of the Beednet service, according to Mr Ross, with financial services at a premium in a rapidly privatising region.

Beednet also hopes to extend its operations to Warsaw, Moscow and Kazakhstan.



Goldstein: opening up access

Washington's threat to raise tariffs follows collapse of talks in Marrakesh

# Canada warns US in wheat dispute

By Bernard Simon in Toronto

Canada has warned it will retaliate against US products if the Clinton administration goes ahead with threats to restrict imports of Canadian wheat at the end of this week.

The Canadians' response follows concern in Ottawa that US agribusiness interests are using the wheat dispute as a lever to wring concessions in other areas of US-Canada farm trade. Mr Jack Wilkinson, president of the Canadian Federation of Agriculture, said US demands had grown "even more onerous" recently.

In particular, the US has recently indicated dissatisfaction with the high tariffs which Canada plans to impose on poultry, eggs and dairy products. Under the Uruguay Round these tariffs are due to replace quotas and other non-tariff barriers.

The US contends that Ottawa is required to dismantle the tariffs quickly under the US-Canada bilateral free trade agreement, which stipulates that neither country can impose new customs duties. Canada maintains the FTA and the North American Free Trade Agreement grant specific exemptions for "supply-managed" products.

Talks between US and Canadian ministers on the wheat dispute broke down in Marrakesh last week. Mr Mike Espy, US agriculture secretary, said if no agreement was reached by Friday the US planned to raise tariffs on wheat.

Mr Ralph Goodale, his Canadian counterpart, indicated that retaliatory action would be taken against California wine and rice, chicken products, apples and baked goods.

The dispute stems from a sharp increase in sales of Canadian wheat, especially durum, in the US. Shipments are expected to reach 2.5m tonnes in the current crop year, compared with the usual 1.3m-1.5m tonnes.

Washington complains that the wheat is excessively subsidised, and has proposed a *cap* on wheat imports from Canada of about 1.5m tonnes a year.

Ottawa counters that the US's export enhancement programme has created a wheat shortage in the domestic market, prompting buyers to turn to high-quality Canadian grain. The Canadians also point out that US exports to Canada of processed farm products – such as pasta, animal feed and flour – have risen sharply in recent years.

Ottawa is now awaiting what a senior Canadian farm-trade official yesterday described as a "more realistic" proposal from Washington.

# German anger over Indian child labour

**Kunal Bose** on the protest over use of young people in the tea industry

Germany has expressed strong reservation about the use of child labour in Indian tea plantations.

The warning follows Germany's recent threat to discontinue the import of tea grown in the hills of Darjeeling unless the level of chemical residues, particularly pesticides, is brought down.

The German Tea Council (GTC) has told the Indian Tea Board (ITB) that some powerful social organisations in Germany *have started a campaign* against the Indian tea industry for using child labour.

Tea producers fear that child labour will become a highly emotive issue in the whole of Europe, and that the German campaign may spread to other European countries.

They are aware that many developed countries will not buy woollen carpets from India unless it is guaranteed that *children have not woven them.* However, they say child labour constitutes only a small percentage of the tea labour force.

Earlier, the International Labour Organisation drew the attention of the Indian authorities to child labour in plantation industries. To take the wind out of the sails of the social organisations campaigning against Indian tea, producers will give assurances that in *future they will not employ* anyone under 16.

In the past, "local socio-economic conditions, including the high level of general unemployment" had forced many tea companies to employ children, most of whom had now reached the age of 16, industry officials said.

In the meantime, ITB has kept GTC informed about its initiative to bring down the level of chemical residues in Darjeeling tea. According to ITB, the residues in brewed Darjeeling tea are much less than in black tea. Darjeeling planters use more pesticides than other Indian tea-growing areas because the area is more vulnerable to pest attack.

Industry officials say the effective implementation of the spraying schedule, recommended by tea research organisations, will reduce chemical residues in Darjeeling tea.



# Local finance fuels Malaysia energy projects

**Kieran Cooke** on ambitious domestic financing

These are interesting times for Malaysia's banking community. Financiers have just had to digest the news of further travails at Bank Negara, the central bank, in the aftermath of multi-billion dollar foreign exchange trading losses.

Now Kuala Lumpur's banking boardrooms are abuzz with talk about the country's largest ever internally generated debt financing package – a M$3bn (£820m) loan signed last week for the construction of a power station.

Malaysia, whose economy has grown by more than 8 per cent in each of the past six years, has been suffering power shortages. To speed up the implementation of power projects and spread the financial burden involved, the government is privatising a large chunk of the power sector.

So far five licences to generate power have been given to independent power producers (IPPs) on a build, operate, transfer (BOT) basis.

A local company and recipient of last week's record loan, Sikap Energy Ventures, won the licence to build and operate a 1,300MW combined cycle plant at Lumut on peninsular Malaysia's west coast. YTL, another local company, signed a M$2.66bn domestic loan agreement late last year for financing of a similar IPP project.

The Sikap loan is made up of a M$1.5bn fixed rate bond facility from the state run Employees Provident Fund (EPF) and a M$1.5bn floating rate loan jointly underwritten by Bank Bumiputra, the Malaysian state-owned bank which in the past has been dogged by controversy and bad debts, and Maybank, the country's biggest financial institution, also government controlled. Details of the interest rates on the loan were not disclosed.

Mr Abdul Aziz Othman, Bank Bumiputra's chief executive officer, said many had expressed reservations about the capacity of the local capital market to fund such a large project.

"For a project this size, it is remarkable that only three institutions are involved at this stage," said Mr Abdul. He said that both the YTL and Sikap loans showed that Malaysia's capital markets were maturing.

Bank Bumiputra Bank and the EPF also played a leading role in the YTL loan.

YTL is one of Malaysia's largest construction companies but has little experience at managing power projects. It has brought in Siemens of Germany and John Laing of Britain to carry out much of the work on its power stations.

Sikap is controlled by a subsidiary of the Malaysian Resources group (MRCB), a fast expanding conglomerate controlled by a group close to Mr Anwar Ibrahim, Malaysia's finance minister. MRCB controls Malaysia's biggest publications group and a privately run TV station but has no track record in the energy sector. Asea Brown Boveri, which will build the Sikap plant, has a 20 per cent stake.

Banking debate is focused on two questions: whether it is wise for domestic banks to be so exposed to one sector and why foreign institutions were not involved in such large lending exercises.

Malaysia's banks have benefited from Malaysia's strong economic growth of recent years. They are flush with funds. Some bankers say that in the circumstances it makes sense for as much project financing as possible to be generated locally. They say foreign banks have tried and failed to get a piece of the action. "It's all sour grapes," said one local financier.

But this is by no means a generally held view. Malaysia is embarking on a wide ranging programme to build up its infrastructure. A new international airport is being built *outside* Kuala Lumpur. A mass transit system is being planned for the capital. Multi-million dollar facilities are being built for the Commonwealth Games, due to be held in Malaysia in 1998. Nationwide water and sewerage schemes are under way. Domestic funds could be severely squeezed if more recourse is not made to foreign borrowings.

Some financiers say that by diversifying fund sources the IPPs would probably have won better terms. But foreign institutions decided against participating.

"The whole area of IPPs is still very new," said a Singapore-based merchant banker. "BOT arrangements are also largely untried. I think foreign institutions got cold feet about getting involved."

# Taiwan power deal

By Andrew Baxter

KWU, the Siemens power generating equipment business, has won a contract worth almost DM1bn (£400m) to equip the Hsinta power station, to be built near the city of Tainan on Taiwan's south-west coast.

The contract, won against stiff international competition, is for a 2,364MW gas-fired combined cycle power station, which Siemens says will be the largest plant in countries with 60-cycle (Hz) networks – North America and parts of Asia.

Siemens said the contract, from the Taiwan Power Company (TPC), made it the leading supplier of combined-cycle technology to Taiwan. It was a result of its increased orientation towards the south-east Asian market.

The Hsinta plant, due for completion in 1998, will have 15 gas and five steam turbines, 20 generators, and 15 heat-recovery steam generators.

UK government could face European Court hearing and a repayment bill of up to £15bn

# Banks appeal over VAT on company cars

By Robert Rice,
Legal Correspondent

The UK government could face a bill of up to £15bn for repayment of value added tax which it appears to have collected illegally on the purchase of company cars since 1978.

Several UK clearing banks, led by Barclays, have lodged appeals with the VAT tribunal claiming that a Customs & Excise "blocking order", which prevents UK businesses from reclaiming VAT paid on the purchase of cars for business use, is incompatible with European law.

They have also complained to the European Commission which has given Britain until June to respond to allegations that it has failed properly to implement the European Sixth VAT Directive or face being taken to the European Court in Luxembourg.

The banks say preventing VAT registered businesses from reclaiming VAT paid on cars results in consumers paying extra tax on their products.

Car leasing companies are particularly affected. They argue that the order artificially inflates the cost of car leasing in the UK and places them at a competitive disadvantage to their counterparts in the rest of Europe where VAT on cars is deductible.

The banks, on behalf of their car leasing subsidiaries, are claiming repayment of VAT going back to 1978 when the Sixth directive came into effect in the UK.

By the end of last month 37 companies had lodged claims with the VAT tribunal for England and Wales involving amounts totalling up to £1bn. The appeals are due to be heard in the autumn but lawyers expect the tribunal to refer the issue to the European Court.

Customs is known to have calculated that if the VAT order is declared illegal, the government could be faced with a repayment bill of £6bn for the car leasing companies alone. If it has to repay all UK companies which have bought cars for business use since 1978, the total bill could be as high as £15bn, according to the Customs estimates.

Lawyers for the banks say they have waited until now to take action because it only became clear recently that the order could be illegal.

Customs has already carried out a review of the order and is believed to favour replacing it with a VAT sliding scale charge to be paid by companies on the private use of company cars.

The cost of transition to a system of charging private use is estimated at £1bn in the first year.

# April tax rises seen to hit consumer hopes

By Graham Bowley
and Philip Coggan

Inflationary pressures remain subdued in the UK, while consumer confidence has been hit by this month's tax rises, according to reports published yesterday.

The news appeared to strengthen the domestic case for a cut in interest rates, but the authorities might be restricted by the Federal Reserve's move yesterday to raise US rates.

Producer output prices - the price of goods leaving factories - rose by 2.7 per cent in the year to March, the lowest annual increase since September 1992, according to the Central Statistical Office.

Excluding food, beverages, tobacco and petroleum, the annual rate of increase was 2.5 per cent.

Producer input prices - the cost of raw materials and fuels - fell by 2.6 per cent in the year to March, compared with a fall of 2.9 per cent in February.

Figures for producer prices are seen as a leading indicator for trends in the retail prices index. Last week, the CSO reported that the annual rate of underlying inflation had fallen to 2.4 per cent in March.

Meanwhile, the latest Gallup survey of consumer confidence, conducted for the European Commission, showed that UK consumers are more pessimistic than at any time since March 1990.

The Gallup survey is watched closely by the UK government and is regularly commented on in the Treasury's monthly monetary report on economic conditions.

The Gallup survey has shown a steady decline in confidence this year. The balance of those expecting a decline in their financial position over the next 12 months, as against those expecting an improvement, was 30 percentage points in April, compared with 25 points in March.

Gallup says the figures indicate that the tax increases are having "an acute adverse effect on consumer confidence and give rise to concerns that economic recovery might be stalled".

But it adds that confidence is approaching historically low levels, and is therefore unlikely to fall significantly further.

Minutes of monthly monetary meetings, published last week, showed that Mr Kenneth Clarke, chancellor, and Mr Eddie George, governor of the Bank of England, appeared to agree on March 2 that a further cut in base rates might be justified if signs of economic weakness were accompanied by evidence that inflation was under control.

Figures on unemployment, published tomorrow, and for retail sales, released on Thursday, will be closely scrutinised for signs of a faltering recovery.

West Indies' batsman Brian Lara shows his relief yesterday after breaking the 36-year-old record for a test match score

# Brian Lara hits record test innings

By Canute James

Brian Lara has never done things in half measures. Yesterday's record-breaking innings of 375 against England in the final test match in Antigua was the third time in his short and phenomenal career that the 24-year-old Trinidadian has gone past 100 runs.

He scored 277 against Australia just over a year ago, and 168 in the second test against England in Guyana last month.

While the cricket cognoscenti in the Caribbean had never doubted Lara's talent, many were surprised that he has made it to such dizzying heights in world cricket so quickly.

Ironically, it was Sir Garfield Sobers, the world's greatest all-rounder, whose record Lara broke yesterday, who first spotted the nascent talent when Lara played in a Barbados school competition.

There were no regrets yesterday from Sir Garfield. "A better person could not have broken the record," he said after Lara pulled Chris Lewis to the mid-wicket boundary to rewrite cricket history. It was the top test score ever - beating Sobers' own 365, and Hutton's 364.

"This is the best day of my life," was Lara's almost inevitably understated summation of his achievement, as he agreed that the last 46 runs to reach the break the record were the hardest of his career.

Any test innings by Lara is now likely to be anti-climactic, but it would be unwise to bet on it. Lara's precocity knows no bounds. "Records are made to be broken," he said.

# City panel seeks role as arbiter

By John Gapper,
Banking Editor

A City body to settle disputes among banks, brokers and large companies over financial transactions was launched yesterday in an attempt to establish London as the world centre for financial services arbitration.

The City Disputes Panel, founded by law firms, professional bodies and QCs with the backing of several banks, will offer arbitration and mediation services similar to those provided for the world maritime industry from London.

The founding members said the panel, which will offer arbitration on financial disputes involving share underwriting and over-the-counter financial derivatives, would provide a counterpart to conciliation schemes for small investors.

They said it would be able to settle disputes far more quickly than the Commercial Court in England and the Court of Session in Scotland. Its tribunals of three members would also be able to operate at a fraction of the cost.

The City Disputes Panel, which is being supported by the Corporation of London, will attempt to establish a reputation for efficient arbitration which will attract banks in other world financial centres to settle disputes in London.

Lord Kingsdown, the former governor of the Bank of England, who is president of the panel, said the panel would allow "the speedy dispatch of disputes". The specialist knowledge of panel members would allow brisk settlement of complex disputes.

Mr Richard Freeman, the panel's chief executive, said the panel would try to attract banks, fund managers, insurance companies and stockbrokers to join at an annual cost of £400. Only members would be allowed to refer disputes.

He said the panel would also like to recruit large companies which were counterparties to banks and investment banks in many transactions on wholesale financial markets.

# United presses for new deal on air routes

By Paul Betts,
Aerospace Correspondent

United Airlines, the largest US carrier, yesterday urged the US and UK governments to link their approval for the proposed partnership between Mr Richard Branson's Virgin Atlantic Airways and Delta Air Lines of the US with the revival of broader negotiations on a new transatlantic aviation agreement between the two countries.

Mr Stephen Wolf, United's chairman, yesterday said the proposed Virgin-Delta deal required changes in the bilateral aviation agreement between the US and the UK.

The Virgin-Delta ticket code-sharing partnership, which requires US and UK government approval, should provide the impetus to produce "substantive amendments" to the current bilateral to correct "a variety of long-standing deficiencies in the agreement", Mr Wolf told the Aviation Club of Great Britain.

United's position is likely to strengthen the UK government's efforts to revive the bilateral talks after the US walked away from the negotiations earlier this year.

The US has insisted on greater access immediately for all US carriers into London's Heathrow airport as part of any new "open skies" agreement with the UK.

The UK, which is seeking more access into the US domestic market for UK carriers as well as the lifting of restriction on foreign ownership of US airlines, is proposing a gradual three-stage approach to "open skies" and access for US carriers into Heathrow.

United in particular wants changes to the existing agreement to allow it to serve its main US hub of Chicago from Heathrow. But it also favours the UK's gradual approach to liberalisation.

Mr Wolf stressed that United did not favour an "all or nothing approach" but was urging the two governments to identify "discrete areas in which progress is clearly possible and focus their immediate negotiating efforts on those areas".

Mr John MacGregor, the UK transport secretary, is hoping to hold preliminary talks with Mr Federico Peña, his US opposite number, in the next few days to follow up on the opportunity the Virgin-Delta deal has given the two governments to re-open negotiations.

Before forging its alliance with Virgin, Delta had urged its government to block the current ticket code-sharing arrangements between British Airways and USAir, the sixth-largest US carrier in which BA has a 24.9 per cent stake.

# Osaka developer joins Virgin in London project

By Raymond Snoddy

Mr Richard Branson's Virgin Group is exploring with Japanese partners the possibility of launching an international trade centre in the heart of London near the House of Commons.

The plan emerged yesterday as Virgin Hotels and Shirayama Shokusan of Japan outlined their objective to develop jointly the old County Hall building on the south bank of the Thames into a hotel and entertainment complex.

County Hall, completed in 1922 for the capital's first democratically elected local government, later became the platform for controversial left-wing policies as headquarters of the Greater London Council.

When the the GLC was abolished by the Conservative government it left London as the only European capital without a single local government authority.

Shirayama Shokusan bought County Hall and with Virgin will turn it into a hotel with 570 bedrooms in the first phase which could later be extended to 1,250 bedrooms.

There will also be a virtual reality entertainment centre, a large "walk through" aquaria and sea life centre, conference centres, full check-in facilities "for Virgin Atlantic and other selected airlines" and a wedding chapel and reception facilities.

Shirayama Shokusan has now been offered a building adjacent to the County Hall complex which has been occupied by the body carrying out residual services for the old Greater London Country.

The more modern building designed in the style of County Hall does not have a preservation order on it and could be demolished .

Mr Branson confirmed yesterday that the Japanese company is now considering a proposal to buy the building and operate it with Virgin as an international trade centre.

Shirayama Shokusan, a private property development company based in Osaka will end up spending around £150m in the purchase and development of the complex.

Virgin will invest about £5m and will be a 50 per cent shareholder in a new company which will lease the centre from the owners for 30 years and manage it on their behalf.

Mr Branson said yesterday there were plans to link County Hall by bridge to the nearby Waterloo international rail centre where trains will depart for the Channel tunnel. To complete the link with rail Mr Branson is also interested in getting involved in managing rail services through the Channel tunnel itself.

# Companies hope for end to Malaysia trade ban

By Kieran Cooke in Kuala Lumpur

British defence companies hoping to win contracts in Malaysia say they are hopeful that a Malaysian ban on doing business with companies from Britain will be lifted soon.

Malaysia announced the ban in late February in retaliation for unfavourable British press reports about Malaysia - in particular about Dr Mahathir Mohamad, the prime minister.

Malaysia has been a big buyer of British defence equipment in recent years and British companies form the largest contingent at a defence exhibition which opens here today.

General Borhan Ahmad, head of Malaysia's defence forces, said Malaysia would continue to use British-made equipment and hinted that further purchases from Britain could be made. "We can't just throw our British equipment into the river and forget about it."

Some British companies seized on the General's comments as evidence of a shift in Malaysian policy, but others were less hopeful about an early resolution to the row.

They point out that Malaysia seems to be asking either for an apology from the Sunday Times, which suggested that bribes had been offered to Dr Mahathir in exchange for a government contract, or an official British government statement condemning the actions of the British media.

Some British ministers have criticised the British press, but Mr John Major, the British prime minister, has described the Malaysian move as "not remotely justified."

Mr Najib Abdul Razak, Malaysian defence minister, has repeatedly said that Malaysia would not consider buying any more British defence equipment until the row is settled. Dr Mahathir has said Malaysia will not change its policy "until the British press stops telling lies."

Lord Cranborne, Britain's junior Defence Minister, is due to meet with Mr Najib here today.

For several months a British parliamentary committee has been investigating the linkage between a £234m soft loan to Malaysia to build a hydro electric dam and multi-million-pound sales of British arms to the Malaysian defence forces.

# Export rules tightened ahead of report

**Jimmy Burns** looks at efforts to close loopholes in the wake of the arms-to-Iraq inquiry

THE government has been tightening export regulations in a move that may pre-empt some of the recommendations of the Scott arms-for-Iraq inquiry.

*The DTI has briefed companies* in recent weeks on the new regulations, which mainly involve applications for licences on potentially defence-related dual-use goods. The regulations particularly affect machine tool companies.

Industry executives say the Department of Trade and Industry has revised and updated licensing forms to include detailed questions about the end-use of goods.

Companies are being asked whether machine tools for export can be used in nuclear or chemical warfare manufacturing. They are also being asked for detailed statements from customers on the final destination of exports.

Lord Justice Scott is thought to be considering recommendations on reforming export procedures. His inquiry has heard evidence that ministers, officials and executives connived in exploiting loopholes.

Last summer the judge wrote to business leaders, trade unions, government departments and politicians seeking proposals for reform of the procedures, which failed to prevent the export of machine tools used by Iraq to build up its military and nuclear capability. Britain sold nearly $93m in machine tools to Iraq between 1987 and 1989 – more than manufacturers in the US, Italy, and France put together, according to official UK figures.

Last night the DTI denied that it was reacting to or pre-empting the Scott inquiry. It said tighter licensing procedures had been introduced in the aftermath of seizure of longe range parts for the Iraqi supergun in April 1990. Three weeks ago, the DTI launched a new Code of Practice and an export control training initiative which it claims is aimed at making it easier for companies to understand the licensing system.

The new initiatives at the DTI have drawn mixed reactions from within the machine tool industry.

Mr Malcolm Taylor, managing director of Bridgeport Machines, said a licensing system that aimed to control the movement of machine tools was "totally impracticable".

At the industry's annual trade fair in Birmingham last week, Mr Taylor said the end-use and end-user of a sophisticated dual-use machine tool was a "moving target" which the exporter could not control. He was also critical of the impact on the machine tool industry of the Scott inquiry. "I would have preferred it if the Scott Inquiry had never happened. We are washing our dirty linen in public and hanging it out for all the world to see. There is not a country in the world that punishes its exporters in the way we do."

However, Mr Keith Bailey, chairman of BSA Tools, one of the companies most directly affected financially by the arms-for-Iraq affair, said the Scott inquiry had forced the DTI to be clearer in describing its policy to business leaders. Mr Bailey said: "In the pre-Scott days it was very much a nod and a wink with the DTI saying – 'we don't want to know about your goods, so don't tell us, carry on'. Now the DTI is in effect saying 'you tell us everything and we'll tell you what you can do and how far you can go'. Policy is understood."

He said machine tool companies were exporting to other militarily sensitive countries like China, India, and Pakistan, with DTI permission.

But he also regretted the negative exposure the British machine tools industry had got from media reporting of the Scott Inquiry, which he said risked putting British companies at a disadvantage.

Mr Bailey was cleared at the Old Bailey in November 1991 when customs and excise dropped a charge against him of evading export controls in selling machine tools to Iraq. He was prosecuted after he had become involved in the purchase of Matrix Churchill from its Iraqi owners.

## Britain in brief

### Protests over use of D-Day event

The UK government yesterday fiercely denied suggestions that it was politicising the fiftieth anniversary of D-Day to maximise its vote in the June European elections.

The prime minister's office said: "The idea that Operation Overlord was launched fifty years ago to help the Conservatives win the European elections in 1994 is ridiculous".

Mr John Major was said to be confident that the government had struck the right balance "of seriousness and fun" in commemorating the events of fifty years ago.

Mr Gordon Brown, Labour's economic spokesman, said the government should mark D-Day by improving the health service rather than organising a few "street parties and competitions".

In the Commons Mr Peter Mandelson, Labour MP, urged Mr Iain Sproat, the national heritage minister, to revise government plans, in keeping with the views expressed to Mr John Major recently by the Royal British Legion.

Mr Sproat replied: "It is very right and proper that we should commemorate the 50th anniversary of D-Day. We are commemorating in doing that the brave actions and the death of those who fought on D-Day.

He added: "We are also commemorating the great good news that followed, namely the overthrow of the evil Nazi tyranny. It is not up to us to say how people around the country should commemorate these things."

### Passengers set airports' record

Passenger traffic at BAA's seven UK airports reached a record 52m in the financial year to March 31 1994, up 5.6 per cent on a year earlier, in figures boosted by this year's early Easter holidays.

The highest growth was at Stansted Airport, north of London, up 42 per cent on the previous year, followed by Southampton at 22 per cent and Edinburgh at 21 per cent. However, the number of passengers passing through Aberdeen fell by 5 per cent.

### BBC pledge to Far East

BBC World Service Television hopes to resume its satellite television service to the Far East from London within the next few months.

The service on the northern beam of the Star satellite system covering areas such as China, Hong Kong, Taiwan and the Philippines was switched off at midnight last night following a deal with Mr Rupert Murdoch's Star TV.

The BBC said it had received several hundred faxes and a large number of telephone calls expressing disappointment at the ending of the service. The BBC has since been offered the possibility of a number of satellite transponders which could carry its channel to much of the region.

### Haul of false bank notes

Police seized a record haul of counterfeit notes of at least six different currencies in north London. Officers from the South East Regional Crime Squad raided a property in north London and discovered "three people in the process of producing between £5m and £6m in sterling notes." The police seized plates and negatives for £50, £20 and £10 notes. Subsequent searches revealed sheets of Rumanian, Spanish, Irish and Nigerian currency notes, as well as plates and negatives for US $50 bills.

### 40,000 jobs in danger

The engineering industry is likely to shed a further 40,000 jobs in the next 12 months in spite of a forecast rise in output, according to the Engineering Employers Federation.

The job cuts come on top of 400,000 already declared in the industry since 1990, reducing the current workforce by 19 per cent to 1.7m. The federation says 30,000 jobs went last year, but the underlying trend is down sharply from cuts of 120,000-130,000 in each of the three previous years.

### Anger over tax timing

Private investors and private client investment managers expressed anger over the timing of last week's government concession on capital gains tax, which could benefit higher rate taxpayers by up to £4,000.

The proposal - to allow taxpayers to continue temporarily to take account of inflation when calculating losses for capital gains tax purposes - is expected to be debated in today's Commons report stage debate on the Finance Bill.

Investors and investment managers welcomed the concession, which followed pressure from Conservative backbenchers and angry private investors. But they said they might have acted differently had they known of the government's proposal before the end of the tax year.

### Bright spark

British Nuclear Fuels has paid out what is believed to be the largest ever award in the UK to an employee for a good idea. The Industrial worker at BNFL's Sellafield reprocessing plant won £16,661 for coming up with a plan to increase efficiency, according to the company's staff newspaper.

"Under our suggestion scheme workers receive 35 per cent of the first year's savings if we put their idea into practice," Mr Les Carrick, a senior manager at Sellafield, told the magazine Personnel Today.

# MANAGEMENT: THE GROWING BUSINESS

**Richard Gourlay reports on plans to make the UK Companies Act more relevant to smaller concerns**

# Inventing a hybrid

Last week the UK government asked the Law Commission to carry out a feasibility study on whether company law could be made more relevant for small and medium-sized companies.

In granting the Commission wide terms of reference, Neil Hamilton, the corporate affairs minister, said he wanted to ensure company law achieved its aims in the simplest way while imposing the "minimum burdens on business".

To some this review is long overdue. As it stands, the Companies Act covers every incorporated company from the multinational with thousands of employees to the family-owned company employing a handful of people.

Large parts of the law define the responsibilities of directors in PLCs where management is divorced from the shareholders who control the company. Yet for many smaller companies, the separation of ownership and control is a fiction only recognised by the Companies Act.

Many requirements, like holding annual shareholders meetings, circulating agenda and even board meetings are not relevant and either do not happen or are time-wasting formalities. Owner-managers are more likely to discuss important business matters over breakfast than in a board meeting.

One option the Department of Trade and Industry wants the Law Commission to examine is the feasibility of a hybrid limited liability partnership that would fall somewhere between an incorporated company and the sole trader or partnership.

Yet despite the apparent need for a review, the announcement of the Law Commission's study has provoked a less than overwhelmingly positive response. Some small business groups say it is "an example of government tendency to focus on the wrong issues".

If the DTI had really wanted to cut what the corporate affairs minister called the "burdens on business", they add, it would have focused on cutting the cost businesses incur complying with government regulations.

Graham Bannock and Partners, the private-sector research group specialising in the smaller business sector, estimates 2 per cent of gross domestic product is spent by UK companies on compliance – that is understanding and compiling PAYE, VAT and National Insurance returns and dealing with their respective inspectors.

Business spends an amount equal to a further 2 per cent complying with other business regulations such as health and safety requirements, and sick pay. And smaller companies bear disproportionately more of this compliance cost relative to their turnover because of diseconomies of scale – it takes a bookkeeper almost as much time understanding and compiling a payroll for five people as it does for 25 people.

While changes to company law might bring modest benefits compared with a move to allow companies to file all their tax returns on one form and subsequently deal with one government inspector, the Law Commission's feasibility study is nevertheless a valuable exercise.

"I could probably take you through a large part of the Companies Act and pick holes in it in terms of its relevance to smaller companies," says Diana Faber, the Law Commissioner in charge of the study. "However, the interests of creditors in businesses are as important to the economy as the interests of small businesses."

In examining the feasibility of the hybrid limited liability partnership, the Law Commission will be able to draw on the Gower Report laid before Parliament in a green paper in 1981. Professor Jim Gower's recommendations were not taken up because of lack of support from business at the time but his proposals are nevertheless instructive.

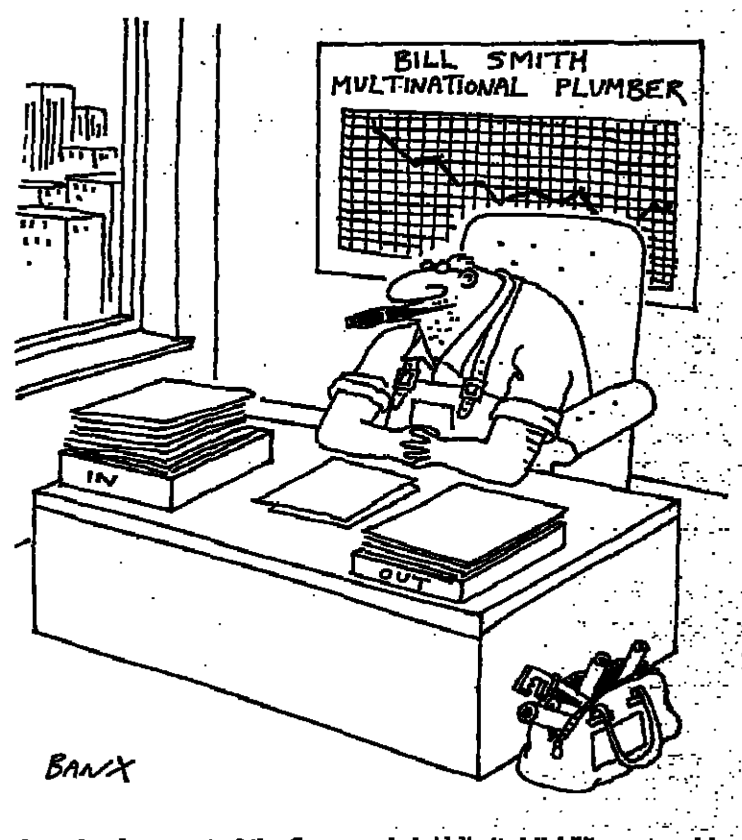
Gower proposed a limited liability partnership designed for small family concerns where there were fewer than 10 partners or "members". Unlike the widely used ordinary partnership, the limited partnership would have a legal personality. This would mean it could contract to take on debts by giving banks a floating charge over its assets.

As one of the main reasons for incorporating is to raise finance via floating charges, the limited partnership could help many family-owned businesses avoid incorporating. Gower suggested this partnership would have to file accounts – presumably to provide some protection to unsecured creditors who could not take legal action against the assets of the "members" whose liability would be limited.

And in an attempt to avoid reinventing the wheel, the Law Commission is also likely to look at the experience in countries such as Canada, the US and South Africa where new corporate structures have been established.

Lastly, the Commission could recommend no changes to company law, on the grounds that no reform would help. One problem the Law Commission faces is identifying exactly why owner-managed businesses incorporate. The status of limited liability is one factor. Tax is another and probably the single issue that will make or break any recommendations for change.

The Law Commission will have to steer a path that makes any new hybrid legal entity acceptable both to the Treasury and to the owner-manager's pocket.




## In a Nutshell

### Report on the future of the USM

On Thursday the board of the London Stock Exchange will catch a glimpse of findings from a Mori survey gauging whether or not the Unlisted Securities Market should be replaced.

The survey conducted among a wide range of stock market practitioners, venture capital houses and the directors of unquoted businesses was delivered to the Stock Exchange in March. But the Exchange is unlikely to release the raw survey material or any recommendations to the board for at least a month.

When the Stock Exchange's Smaller Companies Working Party finished discussing the case for an "enterprise market" last year, market practitioners sensed hostility towards the idea from the Exchange.

Since then Michael Lawrence, the Stock Exchange's new chief executive, has been taking soundings from advocates of a new enterprise market, some of whom now sense a greater degree of support.

The USM closes at the end of 1996 but no new listings will be accepted after this year. Those who support a replacement argue that if investors cannot see an exit route for their investments they are less likely to provide capital at an early stage to small but potentially rapidly growing companies.

### BVCA members invest £1.4bn

UK venture capitalists invested £1.4bn in 1,202 companies worldwide in 1993, almost the same amount as the previous year, according to the British Venture Capital Association.

Nineteen per cent of the number of financings were in start-ups and early stage businesses. By value management buy-outs and buy-ins accounted for £769m, or 62 per cent of the amount invested. The average size of MBO/MBI increased by 38 per cent to £3.3m.

*EXPORTING*

# Help when you're all at sea

**Ian Hamilton Fazey offers a run-down of places offering advice to traders**

British government help for UK exporters used to come from the Foreign and Commonwealth Office, scattered through embassies around the world, along with the Department of Trade and Industry in the UK. But for the last two years government initiatives have been run by a joint directorate known as Overseas Trade Services.

Industrial leaders, senior civil servants and export lobbyists say services are improving; nevertheless, where to go for advice has always been a problem for small businesses. The latest attempt to solve it, a planned nationwide network of 200 one-stop shops called Business Links, is supposed to end the confusion presented by an array of enterprise agencies, chambers of commerce, training and enterprise councils and other initiatives.

However, there are only a handful of experimental ones at present – and probably only about 60 or 70 will play a "hub" role.

For the moment, one way of tapping into overseas trade services is to telephone the nearest regional DTI office, or the Welsh Office, Scottish Office or Northern Ireland Industrial Development Board.

Information is the prime tool available, much of it generated by the government at taxpayers' expense. Indeed, the Treasury is making the DTI justify the £173m annual cost. This annoys the CBI and people like Ian Campbell, director-general of the Institute of Export, who say the UK's foreign competitors do similar things and the UK cannot afford not to.

A quarter of the staff of the Foreign and Commonwealth Office are in commercial posts. There are 203 sections around the world, of which 12 are in the US, seven in Germany and five in France. British staff in each section do a four-year tour of duty, supported by local staff. About 6,000 market information reports are produced each year, so the information base is vast and should be helpful, if only as a starting point. It can be supplemented by other services.

● The Export Market Information Centre in London (071 215 5444/5445) allows you to do your own desk research from government databases, published directories, trade statistics and market reports.

● There is an automated service matching companies to new export intelligence received daily by DTI. This is available through Prelink (081 900 1313).

● The government offers online access from your office computer to all its export intelligence through FT Profile (0933 76144), the electronic database owned by the Financial Times.

● Market Information Enquiries will assemble a tailor-made package of information on export opportunities for products, processes or services. It charges £35 for basic information and then in four-hour units for more complicated inquiries ranging from an initial £70 up to £355 for between 16 and 24 hours' work.

● The Export Marketing Research Scheme is more specific and detailed, providing professional advice and financial support, whether the work is done in-house or by a professional consultant.

● The Export Representative Service will help find a representative overseas through the government's own experts in the market concerned. The charge is £355 for up to 24 hours' work, £710 for up to 48 hours and £1,065 for longer.

● Overseas Status Reports provide assessments of the suitability of potential representatives or companies you want to do business with, but not creditworthiness. Charges are similar to those for Market Information Enquiries.

● Trade Fair Support pays for half the space and gives a fixed construction grant for up to three exhibitions in each market, but up to five in Japan and some parts of Germany and the US.

● New Products from Britain is a media relations service; £60 buys a professionally written news story aimed at securing editorial coverage in appropriate media in target markets.

● Trade Missions, organised by chambers of commerce or trade associations, are subsidised. Many companies find them a cheap way of sampling a market at first hand and for making contacts for subsequent visits. Reciprocal social obligations will usually involve attending a couple of receptions.

● The Programme Arranging Service usually builds on market information obtained through Market Information Enquiries, the Export Marketing Research Scheme or the Export Representative Service. It helps arrange appointments and gives advice on local business and culture in your target market.

● In-Market Help goes one step further, offering accompanied visits by local commercial experts and a de-briefing afterwards to help you consider your next steps.

*This concludes the series. Previous articles have appeared on February 1, 8, 22; March 8, 22; April 5.*

## BUSINESSES FOR SALE

# Meat Processor
## Northampton

The Joint Administrative Receivers offer for sale, as a going concern, the business and assets of Surrey Hills Foods Limited. The company processes and packs cooked meats principally supplying the supermarket trade.

Principal features comprise:

- Freehold property occupying 1/2 acre site
- Plant and machinery
- Established customer base
- Turnover circa £8 million
- Compliance with all relevant EEC standards

For further information please contact the Joint Administrative Receivers, Myles Halley and John Eggleston of KPMG Peat Marwick, Spencer House, Cliftonville Road, Northampton NN1 5BU. Tel: 0604 34480. Fax: 0604 32297.

KPMG Corporate Recovery

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INTERNATIONAL ASSET VALUERS AND AUCTIONEERS

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## Southern Door (UK) Ltd
(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of the above company in a going concern basis.

The company manufactures a range of industrial, commercial and goods lift fire resisting doors and shutters, providing installation, repair and maintenance services.

It has designed, developed and tested products for niche markets, goods lift applications, power stations, security and specialised industrial and commercial requirements.

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- Modern long leasehold premises in Bury covering approx 6,000 sq.ft. with full cranage.
- Quality Management System BS 5750.
- L.P.C.B. Certified products.

For further information please contact:
JJ Gleave or AC O'Keefe,
Arthur Andersen,
Bank House,
9 Charlotte Street
Manchester M1 4EU.
Tel: 061 200 0277. Fax: 061 200 0343.

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## *Long Established Manufacturers of Tooling and Components to Aerospace and Motor Industries*

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- *Established business with excellent reputation*
- *Trading from two freehold premises in Marlborough, Wiltshire*
- *Some 100 highly skilled employees*
- *Turnover £4.2 million for year to 30 April 1993*
- *High precision CNC and standard machine tools*
- *Interested parties are advised to view this week*

*For further details contact Alan Lovett, Ernst & Young, Apex Plaza, Reading, Berkshire, RG1 1YE. Telephone 0734 500611. Fax 0734 507744.*

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Enquiries to Archer Wood Chartered Accountants, Richmond House, 538 Etruria Road, Basford, Newcastle Staffs, ST5 0SX. Please quote reference MFM-1B6881-S0B

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**GREETINGS CARD FRANCHISE FOR SALE.**

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*The joint Receivers L.D. Grainger & A.I. Armstrong offer for sale the Goodwill, Business and assets of*

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*For further information and a sales brochure contact: L.D. Grainger, Joint Receiver at*

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10 SOMERSET PLACE, GLASGOW G3 7JT
Tel: 041 332 8751 Fax: 041 331 2623

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# Hawk Cycles Limited

The joint administrative receivers offer for sale the business and assets of Hawk Cycles Limited.

- Freehold bicycle manufacturing premises in Cradley Heath, West Midlands.
- 25 leasehold retail outlets (predominantly in the Midlands).
- Turnover in 1993 £5.5 million.
- Production capacity 2,500 bicycles per week.

For further information contact the joint administrative receiver:
SRE Hancock
Price Waterhouse
Cornwall Court
19 Cornwall Street
Birmingham B3 2DT
Telephone: 021 200 3000
Fax: 021 200 2464

*Price Waterhouse*

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## LEONARD CURTIS

**BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS**
**DERMOT POWER FCA & DAVID SWADEN FCA**
**IN THE MATTER OF**

## JOHN MOORS & CO (WINSFORD) LTD

Offers are invited for the business and assets of this Cheshire company.

- Self Service convenience store with butchery and slaughterhouse facility.
- General store with bakery.
- Combined turnover approx. £500K p.a.
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*Enquiries should be addressed to Brian Rigby or Tracy Rowles at:-*
**Leonard Curtis & Partners, Chartered Accountants**
Peter House, Oxford Street, Manchester, M1 5AB
Tel: 061 236 1955 Fax: 061 228 1929

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ALAN J. SUTTON F.C.A. and ROBERT H. BARKER F.C.A.
JOINT ADMINISTRATORS
offer for sale the business and assets of the following

## WILLIAM MATTHEWS MECHANICAL SERVICES LIMITED
**IN ADMINISTRATION**

- The company is long-established and operates as heating and ventilation engineers.
- The company owns and trades from conveniently situated freehold premises in Manchester.
- Turnover approximately £5m in 1993 (£2.9m in 1992).
- The company trades in mainland UK and the Isle of Man and has good contacts with prestigious companies.

The affairs, business and property of William Matthews Mechanical Services Limited are being managed by Alan John Sutton and Robert Henry Barker of Baker Tilly, Brazennose House, Lincoln Square, Manchester M2 5BL, who were appointed Joint Administrators of the Company on 30 March, 1994 by an Order of the Manchester District Registry of the High Court.

For further details please apply to Alan J. Sutton, Baker Tilly, Chartered Accountants, Brazennose House, Lincoln Square, Manchester M2 5BL.
Tel: 061 834 5777. Fax: 061 835 3242.

CHARTERED ACCOUNTANTS
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The Joint Administrative Receivers offer for sale the business and assets of Slottseal plc (In Administrative Receivership and Liquidation)

- Annual turnover of approximately $1.3 million
- Nationwide customer base, principally builders merchants and double-glazing businesses
- BS5750 Part 2 registered
- Operates from 16,000 sq ft of freehold premises located at Corby, Northants
- Business established for over fifteen years

**For further information please contact the Joint Administrative Receiver**
**Nigel Bacon**

ROBSON RHODES — Chartered Accountants
RSM International

Bryanston Court, Selden Hill,
Hemel Hempstead HP2 4TN
Telephone: 0442 60200 ext 2397 Fax: 0442 236294

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# FOR SALE
## COMPUTER SECURITY COMPANY

Our client is an established and approved manufacturer and supplier of computer security equipment. Annual turnover for the current year is anticipated to be circa £0.7m with a PBT of £250k. This is a fast growing business which enjoys pre-eminence in a rapidly developing market.

Details will be made available to disclosed principals by writing to:-

**Rutherford Manson Dowds**
**Chartered Accountants**
**34 Grosvenor Gardens**
**Belgravia**
**London SW1W 0DH**

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**PATOL LIMITED**
(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of the above company.

- Long established reputation in the fire and access detection industry.
- Undertaking contracts for nationalised industries and "Blue Chip" companies.
- Leasehold headquarters near Reading and manufacturing site in South Wales. (Freehold of Reading site may be available).
- Turnover approximately £2-3 million.

For further information contact the Joint Administrative Receiver, David Rolph, Moore Stephens, St. Paul's House, Warwick Lane, London, EC4P 4BN.
Telephone No. 071 334 9191 Fax No. 071 334 7933

MOORE STEPHENS
CHARTERED ACCOUNTANTS

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# For Sale

*Business and assets of specialist approved manufacturer of integrated helmet systems designed to meet the present and future needs of personnel in the Emergency Services sector.*

*Exciting growth potential exists with Government and Industry worldwide for the company's product range which incorporates the world's only fully integrated, hands-free, thermal imaging system for fire fighters. These products have already been given significant exposure on an international basis and are in use in the military, marine and industrial sectors.*

- *UK based*
- *Manufacturing to BS 5750 Part 2 and ISO 9002*
- *Full Intellectual property rights with international patents both confirmed and pending*
- *Full design mould and production facilities*
- *Highly motivated specialist team*

*For further information contact R J Elwell, Ernst & Young, City Gate, Toll House Hill, Nottingham NG1 5FY. Telephone: 0602 588000. Facsimile: 0602 596666.*

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**THE CITY & DISTRICT OF ST ALBANS**

**Offer for Sale:**
**Direct Service Organisation (DSO)**

The Council is seeking indicative offers from private organisations wishing to acquire the DSO.

The DSO comprises refuse collection, street cleansing, building maintenance, highways maintenance, grounds maintenance and vehicle maintenance activities. It has 157 employees and the annual value of its contracts is approximately £5.2 million.

Contracts will be awarded to the DSO as part of the sale for a term of 5 years for most services.

The Council will consider both a joint venture with the existing workforce and/or a trade sale of the DSO.

The Council wishes to receive expressions of interest and information for pre-qualification by no later than 20 May 1994 and is looking to transfer the DSO into the private sector by 1 October 1994.

The Council is being advised by Stoy Hayward of 8 Baker Street, London W1M 1DA. For further information contact Martin Peck at Stoy Hayward on 071 486 5888.

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**FOR SALE NORMANDY (FRANCE)** horticultural business 20 acres under cultivation. Very good office, barns and equipment. Turnover of £180,000, going concern with expansion possible. For sale due to health reasons. Price £240,000. Nicolas GEFFROY tel(010) 331-41.28.74.39

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Acre House, 11-15 William Road, London NW1 3ER

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Well established fitted kitchen business, excellent profit and organic growth track record. Showroom network fairly nationwide. Own manufacturing and distribution centrally operated network. Turnover this year projected in excess of £4m with net profit in the region of £400,000. Turnover next year projected in excess of £7m with net profit in the region of £700,000. Earn out preferred although "walk away sale" considered.

Offers invited, please register your interest through:
Box B2644, Financial Times,
One Southwark Bridge, London SE1 9HL

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## SPORTS PUBLISHER FOR SALE

Leading U.S. publisher of specialty sports magazines & books. Growing sales & profits, national newsstand dist, & solid base of advertisers. Publisher of choice w/in its niche market. Attracts major figures in its sport for articles, books & interviews. Sales $5.2MM, pretax $2MM. Corporate buyers only.

Cindy Geddis 714-756-2200

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# FOR SALE

**Turnover: £20M** **Pbt: £1M** **NAV: £8.5M**

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UK Importer/Distributor
Domestic hardware/giftware

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## BUSINESSES FOR SALE



# PEOPLE

## Kuenssberg takes over at Dawson

Dawson International, the Edinburgh-based textile group, has reorganised itself to take account of the closure announced *last month of its* fleece and jersey business in the US, which caused it to make provisions of £50m. Philip Kemp, who built up the company's US operations and ran them as Dawson Consumer Products, has resigned and leaves the board.

Nick Kuenssberg (right), formerly ceo of Dawson Premier Brands, the other division which handled the company's knitwear and yarn operations, becomes md of the entire company under executive chairman Sir Ronald Miller. The *two division structure,* which was only introduced two years ago, disappears and the remaining US operations will report to Kuenssberg.

Kuenssberg, 51, joined Dawson in 1991 from Coats Viyella. Peter Forrest, 55, md of premier fibres and yarns, becomes a director. He joined Dawson in 1991 after working for the Legler Stoffel textile group in Italy.

## Finance moves

■ James Downie Smith has been promoted to the board of WALTER SCOTT & PARTNERS.

■ Paul Mead has been appointed sales and marketing director of Lombard NATWEST Commercial Services.

■ Stephen Attenborough, marketing director, and Nick Hodges, client services director, have been appointed directors of GARTMORE Pooled Pensions.

■ Gordon Younger, formerly director (transmission) at The Co-operative Bank, has been appointed chief executive of BACS on the retirement of Eddie Robinson.

■ Peter Belmont has been appointed md of Euroban, the London arm of ECOBAN FINANCE; he moves from Chase Manhattan in France.

■ Bruce Sutherland has been appointed director in HAMBROS BANK's commercial banking and asset finance division; he moves from the Australia and New Zealand Banking Group.

■ Mark Wasilewski has been appointed head of UK equities at NATWEST Investment Management; he moves from CIN Management.

■ David Beech (below left) has been appointed marketing director at FORWARD ASSET FINANCE; he moves from Lloyds Bowmaker.

■ Shaun Powell (below right) has been promoted to commercial director of BARCLAYS Card Services.

■ Andrew Dyson, formerly with Barclays, Peter Geldart, formerly an md with Citicorp International, and David *MacMillan, formerly a director* at Fieldstone Private Capital Group, have been appointed to SALOMON's global independent Power Group.

■ Ian Lobley has been appointed director of 3i's Liverpool office in succession to Robert Toomey who has joined the board of Edward Billington & Son.

■ Tim Henderson has been appointed ceo of LEOPOLD JOSEPH HOLDINGS (Guernsey), on the retirement of Tony Taylor; he moves from HSBC Holdings.

■ David Williams, director and general manager of the banking division, has been *appointed chief executive,* Bank of Wales Group, part of the BANK OF SCOTLAND, on the retirement of Eric Crawford.

## Financial health of NHS

The National Health Service *Executive has* for the first time appointed an insider as director of finance. Colin Reeves, finance director for the North West Thames regional health authority since 1986, will succeed Gordon Greenshields whose secondment from Coopers and Lybrand, the accountants, is due to end this month.

Reeves, 45, has an economics degree from Clare College, *Cambridge*, and a doctorate in monetary economics from Bangor University. He qualified as an accountant in local government, joining the health service in 1984 as deputy finance director for North West Thames. In the past two years he chaired a group on costing.

In his new role, Reeves will be responsible for the financial management of the health service. His priority will be to ensure that health *authorities* and trusts have sound financial plans and systems to deliver the improvement in services the government wants to see from its reform programme.

At North West Thames, Reeves worked under Alan Langlands, who was general manager of the region before becoming NHS chief executive at the beginning of the month. His appointment follows an open competition which attracted a wide field of candidates from the public and private sectors.

## Harrison builds on his career at Tarmac

Roy Harrison, 46, has been appointed chief executive of Tarmac's housing division, Britain's biggest housebuilder. He will take over from Sam Pickstock who reaches 60 in August, the normal retirement age for Tarmac directors.

Harrison, who joined Tarmac in 1971, was previously managing director of Tarmac's building materials division. He replaces the man who was the architect of Tarmac's rapid growth as a housebuilder during the 1980s.

The housing division, however, was strongly criticised when it failed to react early enough to the collapse of the UK housing market. The company continued to buy expensive housing land when prices of homes were starting to fall. As a result, Tarmac was required to make substantial provisions against its housing operations, but, along with other UK housebuilders, the division is enjoying a resurgence.

Harrison will be replaced as md of the building materials *division by Anthony Hopkins,* until recently vice president Tarmac America, responsible for the group's Florida operations. John Carr, formerly md of Tarmac Mid-Atlantic, has been appointed ceo of Tarmac America.

■ Two senior members of the Perkins family, mainstays of Sandell Perkins, the builders merchants which merged with rivals Travis Arnold in 1988, are stepping down.

David Perkins, 57, is retiring as md of the merged Travis Perkins group at the end of June. His brother Timothy Perkins, who is 60 in June, is also retiring as an executive director of the group although he will remain non-executive *chairman. Company policy* is that senior executives retire between the ages of 57 and 60; between them the two brothers hold less than 5 per cent of Travis Perkins shares.

David Perkins will be replaced as managing director of the group by Ted Adams, 53, who will remain managing director of Travis Perkins Trading, the company's main subsidiary, a position he has held since 1990.

Adams, a chartered accountant, joined timber merchants Sandell, Smythe and Drayson in 1968. He became finance director of Sandell Perkins four years later, subsequently becoming executive chairman of Sandell Perkins.

■ *Gerard McCormack* has been promoted to group finance director of Y.J. LOVELL (HOLDINGS) on the retirement of Trevor West.

■ Geoffrey Taylor, chairman of the Statistics and Market Research Committee of the European Convention for Constructional Steelwork, has been appointed sales and marketing director of Watson Steel, part of AMEC.



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## BUSINESS AND THE LAW

# Fortune in VAT rests on company car rule

**An appeal to lift a Customs & Excise order may involve a government bill of up to £15bn, writes Robert Rice**

A British Customs & Excise "blocking order" which prevents businesses from recovering Value Added Tax on the purchase of company cars is illegal and should be lifted, according to several UK clearing banks.

The banks, led by Barclays and Royal Bank of Scotland, have lodged an appeal with the VAT Tribunal which claims the blocking order is incompatible with the European Sixth Directive on VAT. That forms the principal measure for the harmonisation of VAT in the European Union.

If they win their case, the banks stand to recover hundreds of millions of pounds in VAT paid by their leasing operations on the purchase of cars for leasing since 1978 when the Sixth Directive came into effect in the UK.

That may be only the tip of the iceberg. Since news of the appeal first leaked out, some of the "Big Six" accountancy firms have been advising their leasing company clients to lodge claims for repayment of VAT with the VAT tribunal as a precautionary measure.

According to Mr Dominic Taylor, a VAT specialist with City solicitors Ashurst Morris Crisp, who has been advising the banks on the issue, six weeks ago a total of 37 companies had lodged protective claims involving amounts up to £1bn. Since then, claims have been coming in on a daily basis.

Customs & Excise estimates that if the blocking order is declared unlawful and the government has to repay VAT on the purchase of cars back to 1978, it may face a repayment bill of up to £6bn for the leasing companies alone. If it has to repay all the UK companies who have purchased cars for business use during the same period, the total bill could be as high as £15bn.

Sources at Barclays indicate that the appeal was lodged in order to force a change in the law, not to recover huge sums in VAT repayments. Other leasing companies are thought to feel the same way. But Mr Taylor says many of Britain's companies operating large company car fleets will have no such qualms. In either case, the government faces a significant tax problem.

By the VAT regime, businesses which make goods or provide services subject to VAT are allowed to deduct the VAT or "input tax" on goods and services which they buy-in. This ensures that VAT is not paid on more than the full value of the finished product.

The UK has had a blocking order in place since 1973 which generally prevents deduction of input tax on cars. The order does not apply to car dealers, who re-sell cars as new, to taxis, or to cars bought for short term hire by companies such as Hertz. The impact of this blocking order on cars bought by leasing companies for leasing purposes is dramatic.

If a leasing company buys a car for £10,000, it pays VAT at 17.5 per cent on the purchase price which it is not allowed to deduct. The total cost of the car is thus £11,750. If it then leases the car on a three-year lease to another company, the leasing charge will be calculated on a base cost of £11,750, to which will be added interest over three years plus charges for maintenance and so-on.

That figure is divided by 36 to give the monthly charge of the lease, on which a further 17.5 per cent VAT is payable by the lessee. "This clearly represents a form of double taxation which is contrary to the principles of the European Sixth VAT directive", says Mr Taylor.

The impact of the blocking order on companies which make goods or provide services subject to VAT is not so significant, as they can deduct the 17.5 per cent VAT on the actual leasing payments, he adds.

But the order has the effect that it raises the base cost of leasing cars, thereby putting UK company fleet hirers at a disadvantage to other EU member states where the deduction of VAT on the purchase of cars is allowed.

Colin Beere

Through the roof: many companies with car fleets will claim backpayment

That is of concern to the UK leasing industry, which is worried that, as the European single market becomes more firmly established, it may lose the custom of UK company fleets to the more competitively priced European market.

But their real concern is that the blocking order severely restricts the car leasing market in the UK by making leasing prohibitively expensive for businesses such as banks and insurance companies, which do not supply taxable goods or services, and which therefore can not deduct VAT on lease rentals.

A bank which wanted to lease a car for an employee would effectively be taxed on the lease at a VAT rate equivalent of between 38-40 per cent, Mr Taylor says.

The net result is that banks and insurance companies, the Post Office, the health service, educational establishments, and other big business users of cars, do not lease cars. Perhaps more importantly, neither do private individuals, who tend instead to opt for hire purchase agreements where there is only one charge to tax.

For companies which buy rather than lease their cars, there is arguably an element of double taxation in the VAT paid by consumers on the final value of their goods and services. Most would be happy for the blocking order to be lifted so that the cost of purchasing company cars for business use could be reduced.

Why, if the blocking order was outlawed in 1978 by the Sixth Directive, has it taken so long for the leasing companies via their parent banks to challenge its legality?

Mr Taylor says that, until recently, they had assumed the order was legal and that there was little they could do to change it. The directive allows states to retain some blocking orders if they were in place before it came into force. But it now appears that the UK cars order does not fall into the category of allowable blocking orders.

The banks made a complaint two years ago to the European Commission in Brussels against the UK as they recognised that the approaching Single market could further undermine their position in the leasing market. That took place under article 169 of the Rome Treaty, for failure to implement properly the directive.

The Commission took it up and began discussions with the UK government, which has until June to remedy the situation or face proceedings in the European Court of Justice.

The banks then challenged Customs about the blocking order, asking them to lift it. Customs refused, so they lodged an appeal with the VAT tribunal and put in claims for repayment of tax not deducted going back to 1978.

Barclays insists that was done purely "to gain Customs' attention", not to recover the tax. It appears to have worked. Mr Taylor says that although Customs is believed to have been aware that the order might be illegal for more than five years, it has now responded positively. It has carried out a review of the blocking order and put a paper to ministers. The likely outcome is that the blocking order will be abolished in next year's finance bill.

There will be a *quid pro quo* however. Part of the reason for not allowing VAT deduction on cars is the high proportion of private use of company cars.

Leasing companies do not use cars at all for private use, so they should get the full VAT deduction once the order is lifted. But in companies where there is a degree of private as well as business use, Customs wants a charge to VAT to reflect the extent to which cars are used for private purposes.

It is considering introducing a VAT scale charge along the lines of the Inland Revenue's scale benefit charge to income tax paid by individuals on their company cars. The VAT charge would be payable by companies, but there would still be a saving to the extent that the charge would not be payable on business use. Companies such as British Telecom, which only allow company cars to be used for business purposes, should escape the VAT charge altogether.

If these changes are made, the only outstanding issue will be the extent of the government's liability to repay VAT going back to 1978.

When the VAT tribunal considers the appeals later this year, Mr Taylor considers it nearly certain to refer the issue to the European Court in Luxembourg. It is likely to be at least two years before the issue is resolved. Even were the court to rule the blocking order illegal, it is not certain to order that all the tax should be repaid. There is a principle of "unjust enrichment" to be tested, Mr Taylor says.

Whatever the outcome, the government will not escape scot-free. Customs estimates that the cost of transition to a new system of charging private use will be £1bn in the first year – representing the shortfall between what it would have received in VAT on the sale of cars to businesses and what it will receive under the new scale charge. That is estimated to reduce to £600m in the second year and to zero by the third year. But Mr Taylor believes that these "back of the envelope" calculations may yet prove wildly optimistic.

# Coal and Steel Treaty clarified

EUROPEAN COURT

The competition rules in the European Coal and Steel Treaty may not be enforced in national courts without a prior decision by the European Commission, the European Court of Justice ruled last week.

The ECJ gave its ruling in the context of an action for damages by Banks, a private coal company, against British Coal for infringement of the Coal and Steel Treaty and/or Rome Treaty competition rules.

Banks produces coal under extraction licences granted by British Coal. British Coal has the sole right to extract coal and to grant licences. There are two kinds of licence. One, a "royalty licence", obliges the licensee to sell the coal produced to British Coal at a price specified in the licence agreement.

In March 1990, the National Association of Licensed Open Cast Operators (NALOO), of which Banks is a member, lodged a complaint with the European Commission under the Coal and Steel and Rome Treaty competition rules.

First, it challenged the fairness of long term supply contracts at fixed prices made between British Coal and the electricity generators, National Power and PowerGen. Second, it attacked the extraction licence system as regards both the criteria for granting licences and the level of royalty imposed.

On May 23 1991, the Commission rejected NALOO's complaint. NALOO appealed to the Court of First Instance which has stayed the proceedings pending the outcome of the present case started by Banks in February 1991.

In the action for damages, Banks argued that the licence royalty level was excessive and that the price paid under delivered licences was unreasonably low.

In answer to the first two of six questions asked by the English High Court, the ECJ said that only the Coal and Steel Treaty competition rules were relevant to the case as both the extraction of unworked coal and the businesses concerned fell within the scope of the Coal and Steel Treaty.

The general rules prohibiting restrictive agreements and misuse of a dominant position applied. The Court said a specific rule relating only to unfair and discriminatory product pricing practices did not apply. British Coal could not be regarded as engaged in the sale of products where it granted licences to extract coal.

The ECJ then said that the competition rules in question did not confer rights which were directly enforceable by private parties in national courts. In the case of restrictive agreements, the Treaty rule gave the Commission sole jurisdiction to rule on the compatibility of an agreement which would otherwise be prohibited.

As long as such incompatibility had not been established by the Commission itself, individuals could not contend in national proceedings that an agreement was incompatible.

Similarly, in the context of misuse of a dominant position, the Treaty rule reserved to the Commission the power to verify whether a dominant position was held or acquired and being used for prohibited purposes. The ECJ said that the sole jurisdiction of the Commission precluded individuals from relying directly on that provision in national courts.

The fourth question was whether national courts could or must award damages for breach of the competition rules in question. The fifth asked whether that power or obligation depended on a prior decision of the Commission, the exhaustion of remedies available under the Coal and Steel Treaty and/or completion of the steps or procedures indicated in the relevant provisions.

The ECJ said that since the Commission had sole jurisdiction subject only to review by the CFI and ECJ, the national courts may not entertain an action for damages in the absence of a Commission decision.

The Court ruled that the decisions taken by the Commission were binding in their entirety on the national courts in accordance with the Coal and Steel Treaty rule to that effect. However, the national courts may still ask the ECJ to rule on the validity or interpretation of those decisions.

*C-128/92: Banks v British Coal, ECJ FC, 13 April 1994.*

**BRICK COURT CHAMBERS, BRUSSELS**

Poor R&D in Japanese drugs companies is limiting overseas expansion, writes **Paul Abrahams**

# Battling the weak link

International expansion is the proclaimed policy of most of Japan's top drugs groups. The strategy is motivated by a desire to reduce their dependency on a domestic market that is under attack by a rolling barrage of healthcare reforms.

But the ability of Japanese groups to compete effectively in world pharmaceuticals may well be undermined by structural weaknesses in their drugs research and development capabilities.

There is some good basic research in Japan. The country's expertise in allergies, asthma, antibiotics and cholesterol-lowering drugs is widely recognised. However, it lags badly behind the US and Europe in the increasingly important field of biotechnology.

"Biotechnology will have an important role in contributing to drug discovery," says Teruhisa Noguchi, executive vice-president of R&D at Yamanouchi. "But Japan is not very strong in biotechnology. We are sending many of our young scientists to the US to study and then bringing their experience back. But the relationship is still one of American teacher and Japanese pupil."

Masaji Ohno, managing director of R&D at Eisai, agrees: "We are well behind, but by the beginning of the next century, we may be able to create some original work."

A few Japanese groups have attempted to remedy their deficiencies by forming links with western biotechnology groups. These have not always been successful.

Yoshihiko Baba, director of Sankyo's research institute, describes the modest achievements of his company's links with US and British biotechnology boutiques: "To be honest they did not really thrive. I suppose it is partly because the chances of success were not very high in the first place. But we learnt you have to make sure the human side of the relationship works and that both sides need a financial interest in making the alliance a success."

Hiroyki Nagasako, director for corporate planning at Daiichi, adds that it is also necessary to have in-house expertise to choose the right companies and manage the relationships. "We do not have these skills. It is an expensive business and you can waste a lot of money," he says.

Japan's weakness in biotechnology would not be so important if the drugs groups' traditional R&D were stronger. The main problem is lack of investment. The industry spends a reasonable proportion of sales on R&D. Fujisawa invests 14.8 per cent of its sales, Takeda 8.2 per cent, Sankyo 9.6 per cent, Eisai 13.2 per cent, Shionogi 11.8 per cent and Daiichi 12.3 per cent. But because the groups' sales base is so small, the actual amounts available for R&D remain pitiful compared with western organisations. Only one Japanese company, Takeda Chemical, is rated in the world top 20 drugs groups by sales, and only four Japanese pharmaceuticals companies are in the top 30.

Takeda spent about $600m (£410m) last year on R&D, and not all on pharmaceuticals. That compares with Roche of Switzerland, which invested $1.2bn, and Glaxo of the UK which spent $1.1bn. Sankyo invested $375m, while Eisai, Shionogi and Daiichi all spent less than $300m.

Moreover, Japanese companies' R&D funds are not always spent productively. In the past, much of the money was allocated to developing "me-too" compounds that cannot be marketed internationally. This is partly the result of the system of biennial price cuts set up by the Japanese ministry of health.

Kunio Takeda, president of Takeda Chemical, explains that in order to counter the cuts: "Manufacturers resorted to launching modified [non-innovative] compounds to conserve development costs and time. Such policies are likely to damage the industry."

This syndrome led to a massive rise in the number of new chemical entities developed in Japan in recent years. The increase was mistaken by some observers as an explosion in innovative research. Between 1975 and 1989, Japanese companies launched 212 new chemical entities. But only 42 were sold in five or more important overseas markets. Just four Japanese drugs were in the world's top 50 medicines sold in 1990, according to Donald Macarthur, author of Japanese Pharmaceutical Expansion into Europe, a Financial Times management report.

"Although the number of new chemical entities coming out of Japan has expanded rapidly in recent years, most were 'me-toos' – without any great additional benefit in safety and efficacy. The Japanese companies have real problems selling most of their compounds overseas," says Jacques Racloz, president of Sandoz Pharmaceuticals in Japan.

The "me-too" syndrome may be changing, however. "Japanese opinion formers say we have to create new original compounds – that is the only way to overcome the price-cutting system. Innovative compounds won't be subject to the discounts that lead to the price cuts," says Ohno.

Hitoshi Oyashu, managing director of R&D at Fujisawa, agrees: "Like it or not, 'me-too' drugs will no longer prosper – either in Japan or internationally. We have to adopt a high-risk, high-reward strategy."

Nevertheless, in spite of the rhetoric of innovation, Japanese companies' discovery efforts remain woefully unfocused. While most European groups of a comparable size are narrowing their attention to three or four therapeutic areas, many Japanese groups remain committed to a large number.

Baba disputes that this lack of focus is a weakness.

"There are two ways of conducting discovery. Either you focus from the very start or you look at a wide range of areas and then concentrate. We follow the second school. We like to have as wide a range of leads as possible. It's very risky to concentrate on only a few fields," he says.

Even when Japanese drugs groups do have good compounds capable of competing internationally, they lack development resources overseas to exploit them properly. Daiichi, for example, has only 11 development scientists in the UK, none in Germany and four in the US.

Sankyo is one of the most advanced groups in this field, with about 15 development staff in the US and 150 based in Munich. The company is conducting clinical trials on an anti-depressant in Germany independently of Japan.

In the past, Japanese groups have missed the opportunity of using their breakthrough compounds to create an international development and marketing network. Rather than using the prospects of large sales from a breakthrough drug to construct an international presence, as SmithKline French did with its top-selling drug Tagamet in the 1980s, the Japanese tend to license the medicine to other groups.

Sankyo, Japan's biggest drugs group, licensed Mevalotin, a cholesterol medicine which during 1992 was the world's 18th best-selling medicine, in most countries and so has only limited international sales. Fujisawa says its experience with the antibiotic Cefamezin, sold in 70 countries, was "extremely painful". The highly successful drug generated limited income for the company because lack of an international marketing organisation meant it had to license the drug out.

One route used by Japanese companies to by-pass this problem is contract research organisations. Mitsuhiko Sentoku, board director of planning and development at Daiichi, explains that Cravit, an anti-bacterial agent, and one of the group's most promising drugs, is being developed by contract research organisations in Europe.

A few companies are now trying to use their innovative compounds to begin building an international development and marketing capability. Fujisawa, for example, is attempting to develop its immuno-suppressant, Prograf, internationally at its own facilities in Chicago and Munich.

The future for most Japanese pharmaceuticals companies remains grim. Analysts forecast the domestic market will be stagnant for the rest of the decade. The ability of Japanese drugs companies to export their way out of difficulties is restricted. And with a lack of innovative compounds and limited international infrastructure, Japan's global reach in pharmaceuticals looks likely to remain severely limited.

**Japanese R&D spending in pharmaceuticals**

| Yen bn | 1989 | 1990 | 1991 | 1992 | 1993 |
|---|---|---|---|---|---|
| Takeda Chemical | 48.6 | 49.5 | 55.4 | 59.7 | 62.2 |
| Fujisawa | 24.4 | 27.6 | 29.3 | 37.4 | 39.8 |
| Sankyo | 24.8 | 26.3 | 29.1 | 35.5 | 38.5 |
| Yamanouchi | 22.2 | 28.2 | 26.3 | 32.0 | 36.0 |
| Eisai | 27.4 | 29.4 | 30.2 | 30.5 | 31.0 |
| Shionogi | 22.7 | 24.5 | 28.0 | 29.0 | [illegible] |
| Daiichi | 18.5 | 21.0 | 22.7 | 24.3 | 26.0 |

Lehman Brothers and Financial Times

# Pool of IT resources keeps CAA in the race

Far-reaching changes in the computer world are having an impact on the way information technology departments are organised. When large, centralised mainframes were the dominant form of computing, so were large, centralised IT departments. But these were criticised for being expensive and remote from the business.

Then came distributed computing. This made a "federal" approach to IT possible, with computers and IT staff devolved to individual business units. A small, central IT department was usually retained to decide on the company's computing strategy and which standards it should support.

Many companies hoped that putting IT staff in closer contact with non-technical managers would make them more business oriented. But all too often, devolved IT departments have expanded, creating their own fiefs and spiralling costs. As a result, they have become just as remote and inflexible as the large, centralised IT departments which they replaced.

This inflexibility and the growth of PC use is making some companies rethink the way they organise IT. Stuart Vaughan, a senior consultant at Pagoda Associates, a London-based management consultancy, believes turning the IT department into a resource pool will solve some of the weaknesses inherent in organising IT staff.

The idea has been tried before in the UK, but nowhere as radically as at the Civil Aviation Authority. The CAA has replaced its 110-strong central IT department with a resource pool of 50 staff and an IT department of 25. Any CAA business unit can draw staff from the pool so long as it puts them on its payroll for at least three months. Ad hoc PC projects (lasting no more than a few days) are handled by a team of six in the IT department.

Vaughan, who is involved in the CAA project, says: "A major benefit of the resource pool is that it can be sized in an optimum way, avoiding unnecessary duplication. It is also possible to demonstrate value for money because business units cannot hire an IT person unless they present a convincing business case."

At the CAA, line managers can hire from the pool or buy services from outside if the pool does not have the right skills. This makes IT staff very service-oriented. Richard Brett, the CAA's director of finance and management services, says: "In the old days, staff whose skills were obsolete were simply put to work on internal projects for the IT department, while new staff with the latest skills were hired. But IT is no longer a self-generating organisation."

Now, he says, "if people in the pool don't have an assignment, they are very visible. We try to retrain, but if they haven't been requested for two months, we put them on the redeployment list".

The pool will not rise above 50. If more staff are needed, the CAA will simply increase its use of outsourcing. In fact, the pool is likely to shrink. It has been in place for a year (on a transfer-charging basis till this month) and no one hired by a business unit has returned.

Brett finds it encouraging that once IT people get into the business, they begin to develop real business skills. "We're starting to overcome the bug bear of project definition, where the line manager knows what he wants the system to do but the IT expert is on a different wavelength."

He believes IT should not be viewed as a black art but as a normal business process. So the business planning group has responsibility for IT strategy, the internal audit department checks that business units are sticking to group technology standards, and line managers cost-justify and manage IT projects.

This approach has helped the CAA to reduce its central IT overheads from £43m three years ago to £18m. A lot of money is also spent on IT in individual business units, where Brett says managers now see IT as a real cost.

**Joia Shillingford**

## ARTS

# Landscapes of the imagination

*William Packer reviews the work of two very different contemporary artists*

The landscape to a painter is whatever he cares to make of it – indeed, whatever he cares to call it. A single horizontal line across the surface of the canvas becomes, well, an horizon, in which sense all nominally abstract painting becomes a kind of landscape of the imagination. Alexander Cozens used blots and smudges, and Gainsborough cauliflower and broccoli, to invent their landscapes in the 18th century. Rothko's cosmic emptiness was long ago prefigured in *l'Immensité* of Courbet, or the pools and river-banks of Monet.

Maurice Cockrill, at 57, is one of the more interesting of those painters who occupy this no-man's-land of inventive representation – non-representational representation if you like. He thinks of his work, certainly, as landscape, and indeed it does take on something of the space and scale of landscape. Yet he has dispensed with any defining sky-line or horizontal, nor are there any near-vertical emphases to help the eye the other way. If the suggestion is of landscape, it is that of the closer and more constricted view, of a pit or quarry-side, with a tangle of roots and undergrowth down the bank, or of the entrance to a thicket, confusing and disorienting – even an aeroplane becomes confused without an horizon.

The informing sense is one of organic growth and rich profusion, and so close does the imagery bear in on us that it becomes almost that of landscape as still life – we are back again to Gainsborough and his vegetables. The closer parallel, nearer our own time, is to Graham Sutherland and his war-time Welsh landscapes, with their lanes and hill-sides and hot colours, and his thorns and bushes of the later 1940s and early '50s, romantic, surreal, threatening and intense.

But Sutherland's imagery is always specific to its source, and stated with nothing of the expressive, expansive freedom and suggestive feeling that we find here with Cockrill. If the sense in the imagery of his work is of generalised organic growth, so it is with the actual quality of the paint as it is handled on the surface. In the way he works, he stands much closer to Francis Bacon.

These are big names, but not over-bearing influences, and Cockrill, while tacitly acknowledging them, remains his own man. He begins with a canvas prepared with an immaculate ground or colour-field which is to be occupied by the mass of the image. This he lays on more or less across the centre of the canvas, dense and rich in the paint itself, fresh and direct in the way the paint is worked and moved about. At last comes a committed, all-or nothing flurry of activity, a rapid, calligraphic sequence of marks and gestures that overlays the more considered passages and ties them formally to the larger, encompassing and still pristine spaces of the canvas. Zen-like, he either gets them right at once, or they are nothing.

Cockrill is an artist who has long enjoyed the respect of his peers, but only in the last few years has come into more public a reputation. The Tate, at least, should buy him now.

Round the corner in Albemarle Street, Roger de Grey is showing for the first time since giving up the presidency of the Royal Academy. Knowing how active he was in that onerous duty, we might find it surprising that he has found time to do any work at all. That he has managed only lately to do so much is merely astonishing. He, by way of contrast, is a true landscape painter, no less inventive than Cockrill – for even the most exact of artists must invent in paint the visual metaphor or symbol for the reality he would describe – but working directly from his subject as much as possible, which he rationalises and simplifies back in the studio.

Kent, Cornwall and the Charente-Maritime supply his imagery, with the odd still-life besides – a view out of the window to the garden gate, a wooded hill-side, a high, wide succession of fading horizontals to take the eye out across the fields to the distant estuary. All is quiet, undemonstrative, well-ordered and structured, seemingly polite. The debt to Cézanne is manifest, but other, more recent complements and parallels suggest themselves, the American, Richard Diebenkorn for example, whose Ocean Park paintings, with their schematic linear perspectives, simplified themselves quite literally to abstraction.

Roger de Grey may disqualify himself as an abstract artist, saying he has no facility in the invention of forms, but the fact remains that the abstraction is implicit in everything he does, and sophisticated constructivist abstraction at that, with the emphatic architecture of vertical and horizontal that so often divides his canvases, lying on the picture-plane and setting the visual space. Though the device may be only a tree perhaps, a window-frame, or the sharp, sweet rise and curve of the road across the plain, he is rather more adventurous a painter than he cares to admit.

**Maurice Cockrill: *Generation*; Bernard Jacobson Gallery, 14a Clifford Street W1, *until April 30*. Roger de Grey: recent paintings & drawings; Grosvenor Gallery, 18 Albemarle Street W1, until April 29.**

Good example of non-representational representation: 'Porphyry' by Maurice Cockrill

# Contrasting fortunes at the opera

**The Royal Opera House, Covent Garden, has made an operating surplus for the second consecutive year.**

Figures for the last financial year, announced at a press conference yesterday, show a surplus of £400,000, bringing its accumulated deficit down by half to £1.4m. By the end of the next financial year, Covent Garden should be out of the red. But this successful turnaround of the Opera House's fortunes has been at a cost. Chief executive Jeremy Isaacs acknowledged yesterday that with seats in the stalls now costing £102, ticket prices were too high.

Although an average of 88 per cent of seats were filled last year, the company would like to make productions more accessible by reducing prices by up to one-fifth. Nobody was proud of having to increase prices to their present levels, "but we have to, to earn the income to keep the house in the black," said Isaacs.

This year's Arts Council grant to the Royal Opera House stands at £7.75m, representing 28 per cent of the company's projected income. Although a significant sector of the public was willing to pay the existing high prices for seats at Covent Garden, this tended to be for popular operas like *Carmen* and *Rigoletto*. Tickets of modern productions, such as Harrison Birtwistle's award-winning *Gawain*, had to be discounted to fill the house. "It is going to be very difficult to put on new work and British work," warned opera house chairman Sir Angus Stirling.

Meanwhile, down the road at the Coliseum, English National Opera is cutting seat prices further in an attempt to reverse the decline in its audience. New director Dennis Marks has filled 62 per cent of the seats this season, as against a doleful 56 per cent in the last year of Peter Jonas's reign.

But with a frozen grant from the Arts Council of £11.65m for 1994-95, and an accumulated deficit of £2.4m, this is not good enough. To build up audiences for the new season in September, ENO will be offering discounts to regular supporters, appealing to young audiences, and changing its overall pricing policy to ensure that 60 per cent, as against 50 per cent at present, of the seats available (except on Saturdays) will cost less than £25.

The front stalls, 102 seats in all, at £45, will cost £5.50 more on weekdays, but the remainder of the stalls, some 447 seats, will be reduced to £35. The Friday premium also disappears, although you will still pay more on Saturday. The changes will create more flexibility and reduce the average price of a weekday ticket at the ENO to £25.80.

Anyone who buys tickets for three ENO performances at full price will be offered a 10 per cent discount on any future purchases during the season. United Airlines is helping to promote and underwrite the scheme. It is an alternative to an ENO subscription, which has been hit by the recession: few opera lovers these days are prepared to pay substantial sums and commit themselves to performances months in advance.

To encourage new opera goers, ENO is offering £5 tickets for 100 school children aged between 13-18 at each of 12 performances next season. An ENO fan, Irving Laidlaw, who paid for Ken Russell's ill begotten production of *Princess Ida*, is subsidising the seats.

**Antony Thorncroft**

## Fringe Theatre: our critics find Wilde in Kilburn and a Middle Eastern argument in Stratford, E.15

Alastair Muir

Ali White: an excellent Lady Windermere

# Lady Windermere's Fan

Sean Kearns's gigantic Duchess of Berwick says "None of us men do look what we really are," as she quick-changes before our eyes into Lord Augustus Lorton. But the point about the production by the Irish company Rough Magic of Wilde's *Lady Windermere's Fan*, now at the Kilburn Tricycle, is not that it is a drag interpretation but a brusque and clever ensemble piece in which four of the seven actors happen to have multiple roles, male and female; a production certainly thereby risking a roughness of despatch, but securing its moments of magic.

The play is put within a double frame of music and circus. When we enter, a violinist (Aingeala de Burca) and pianist (Andrew Synnott) are half-visibly playing Palm Court Fauré at the rear, and they sustain a musical commentary throughout the entire action, underpinning suspense with a dry *pizzicato*, sawing out the heart-break, and crucially, of course, playing dances for the *Second Act* ball. The Victorian melodrama of the plot becomes melodrama in the other sense of *melos* plus talk.

The circus idea is that the butler Parker, acted by Mal Whyte, who also skilfully takes the roles of Lady Plymdale and raucous Australian Mr Hopper, presents the play at the outset in the character of a clown or *Lulu*-style ringmaster, when he also points out the Tricycle fire-exits and mentions the conveniences of the interval. He keeps his clown's white and rouged cheeks in all three of his roles. Miche Doherty as a mincing Lady Agatha ("So devoted to sunsets!", as her mother the Duchess says) and a scaldingly witty Cecil Graham, wears that makeup too, as do Kearns and Darragh Kelly's deaf Lady Jedbergh.

Through circus tricks the small cast on the small platform manages to reproduce the whirl and glitter of a ball most admirably; and the collective clownface is doubtless a gloss on Lord Darlington's famous remark, "I think that life is far too important a thing ever to talk seriously about it". Martin Murphy, despite the earring and rings, makes the latter a dour sort of dandy, and is more convincing later when thwarted love has taken the dandy's humour away (also, it would seem, his English accent). Ali White is an excellently noble and foolish, beautiful Lady Windermere; Paul Hickey perhaps too solemn as her husband. Helene Montague's vivid *Mrs Erlynne* – the scarlet woman – succeeds rather by force than finesse. The production's magic comes with the strange, dark, cigar-smoky, violin-permeated atmosphere of the all-male passage of the third act, when epigrams are buried like knives.

**Paul Driver**

Till May 7; then in Sligo, Limerick, Belfast, Dublin.

# An erratic Crusade

David Vine once breathlessly intoned, "Here we are in the holy city of Jerusalem – a Mecca for tourists." The knotty relationships of the region's three main religions form both the immediate focus and the deeper background of Paul Sirett's erratic play.

A minibus *en route* to Jerusalem breaks down, conveniently forcing a clutch of character stereotypes to endure one another's company for 90 minutes. It is not unlike a country house thriller, with Jenny Tiramani's looming rocky outcrop serving as the smoking room, and Middle Eastern history standing in for the bludgeoned corpse.

The range of suspects is as broad as one might expect: a lippy, upwardly mobile Aussie woman with paranoid, bigoted Pom-born bank executive husband; a whingeing, would-be "radical" actor and his long-suffering art historian girlfriend; a female crusty, and a New Age "Rasta"; and Mahmood, the driver, whose occasional flashbacks intimate something nasty in his personal woodshed.

Israeli-Palestinian and Christian-Moslem tensions in the party's immediate circumstances are maladroitly paralleled with the crusades of the 12th century. Crass guy ropes are thrown out in the form of contrived passionate outbursts and, of all things, a heated exchange about Islamic ceramics. At one point a dream sequence consisting of a Mummers' play about Saladin and King Richard is superimposed with slide projections of the Intifada – a juxtaposition which conveys nothing except that whatever is going on in the area has been doing so for a very long time.

Burt Caesar and Kate Lonergan get a raw deal as Rasta Barry and neo-hippy Fran, theoretically open to ideas but mired in the vague generalities of virtually every hackneyed line they utter. The norm of intelligent decency is encapsulated in Moslem art historian Ayesha but Tara King's performance is overwrought, crippling the character's function as a focus of audience sympathy and identification.

Director Jeff Teare is understandably uninspired by Sirett's script, with its inability to do more than nod at the magnitude of political and historical issues. Improbably, the play's closing movement reveals Mahmood as a personification of Christian-Jewish-Islamic entanglement, presiding over a debate as to which of the party should be symbolically executed.

The characters' final exit on foot to seek help merely begs the question why they did not buzz off an hour and a half earlier. Sirett has written a 90 minute shrug of bewilderment with the message, "Golly – complex, isn't it?" I think we knew that already, thanks.

**Ian Shuttleworth**

Theatre Royal, Stratford East until May 7 (081 534 0310)

# INTERNATIONAL ARTS GUIDE

## AMSTERDAM

Concertgebouw Tonight: Kurt Masur conducts Leipzig Gewandhaus Orchestra in Schumann's Second Symphony and Bruckner's Seventh. Tomorrow: Jos van Immerseel directs Anima Eterna baroque ensemble in works by Arriaga, Mozart and Beethoven. Thurs: Riccardo Chailly conducts Royal Concertgebouw Orchestra in Mahler's Seventh Symphony. Sat afternoon: Kees Bakels conducts Radio Symphony Orchestra in concert performance of Donizetti's Roberto Devereux, with cast headed by Nelly Miricioiu. Sat evening, next Tues: Vassili Sinaiski conducts Netherlands Chamber Orchestra in Schnittke, Mozart and Haydn, with piano soloist Elisabeth Leonskaya. May 2: Yevgeny Kissin piano recital (24-hour information service 020-675 4411 ticket reservations 020-671 8345)
Muziektheater Tomorrow, Sat, next Tues: Edo de Waart conducts Harry Kupfer's production of Salome. In repertory till May 3 with cast led by Josephine Barstow and John Bröcheler (020-625 5455)

## BASLE

Piotr Anderszewski gives a piano recital in the Stadtcasino on Thurs (061-272 1176). A new production of Donizetti's La favorite, sung in the original French, opens at the Stadttheater on Fri (061-295 1133)

## BRUSSELS

Monnaie Tonight: Antonio Pappano conducts first night of Willy Decker's new staging of Peter Grimes, with cast headed by William Cochran, Gregory Yurisich, Susan Chilcott, Sarah Walker, Anne Collins and Ian Caley. Repeated April 22, 24, 27, 30, May 3, 5, 8 and 10 (02-218 1211)

## CHICAGO

Lorin Maazel conducts Pittsburgh Symphony Orchestra tonight at Orchestra Hall. Leontyne Price gives a song recital on Sun, and Alfred Brendel gives a piano recital on April 29 (312-435 6666)

## GENEVA

● John Nelson conducts a concert performance of Berlioz's Béatrice et Bénédict tonight at Grand Théâtre, with cast led by Liliane Bizineche, Alison Hagley and Kurt Streit (022-311 2311)
● Armin Jordan conducts Suisse Romande Orchestra tomorrow and Fri at Victoria Hall in works by Stravinsky, Chausson, Debussy and the world premiere of a new piece by Heinz Holliger (022-311 2511)
● Ronald Harwood's play Another Time (Temps contre Temps) can be seen daily till Sun at Théâtre de Carouge, in a guest production by Théâtre de l'Atelier de Paris (022-343 4343)

## GHENT

de Vlaamse Opera Tomorrow, Sat, next Tues: Silvio Varviso conducts Hans Neugebauer's production of Lohengrin, with cast led by Gösta Winbergh, Andrea Trauboth, Oskar Hillebrandt and Ruthild Engert (091-225 2425)

## THE HAGUE

Dr Anton Philipszaal Fri, Sat, Sun afternoon: Yevgeny Svetlanov conducts Hague Philharmonic Orchestra in works by Brahms and Richard Strauss, with piano soloist Peter Donohoe (070-360 9810)

## LAUSANNE

Théâtre Municipal Tomorrow, Sat, next Tues and Thurs: Maurizio Arena conducts Nicolas Joel's new production of Tosca, with cast led by Adriana Morelli, Neil Rosenshein and José van Dam (021-312 6433)
Casino de Montbenon Fri: Hans Graf conducts Lausanne Chamber Orchestra in works by Fauré and Mozart, with piano soloist Patricia Pagny (021-312 6433)

## UTRECHT

Vredenburg Tonight: Sine Nomine Quartet plays string quartets by Schubert, Webern, Puccini and Verdi. Tomorrow: Jean-Claude Casadesus conducts Orchestre National de Lille in symphonies by Haydn, Schubert and Beethoven. Fri: Riccardo Chailly conducts Royal Concertgebouw Orchestra in Mahler's Seventh Symphony. Sun: Guy de Mey song recital. Next Tues: Yevgeny Svetlanov conducts Hague Philharmonic. April 29: Yevgeny Kissin piano recital (030-314544)

## VIENNA

Staatsoper Tonight, Fri: L'Italiana in Algeri with Agnes Baltsa and Ferruccio Furlanetto. Tomorrow, Sun: Cav and Pag with José Carreras, Nancy Gustafson and Piero Cappuccilli. Thurs: Kenneth MacMillan's ballet Manon. Sat: Manon Lescaut with Nina Rautio and Peter Dvorsky. Next Mon: ballet mixed bill. May 2, 5, 8, 11, 15, 18: I Puritani with Edita Gruberova and Dmitri Hvorostovsky (51444 2955)
Musikverein Tonight, Sun: Christa Ludwig farewell recitals. Fri: Ulf Schirmer conducts Austrian Radio Symphony Orchestra in works by Kühr, Prokofiev and Richard Strauss, with violin soloist Alyssa Park. Sat, Sun afternoon, Mon: Isaac Karabtchevsky conducts Tonkünstler Orchestra in Rakhmaninov, Glinka and Stravinsky, with piano soloist Mikhail Rudy (505 8190)
Konzerthaus The Spring Festival runs till May 8, with a focus on music from the Czech Republic. Tonight: Concertino Munich in music from the Nazi wartime ghetto at Theresienstadt. Tomorrow: Käte Wittlich piano recital. Fri evening, Sun morning: Riccardo Muti conducts Vienna Philharmonic Orchestra in works by Beethoven, Stravinsky and Tchaikovsky. Sat, next Mon: Nikolaus Harnoncourt conducts concert performance of Der Zigeunerbaron, with cast headed by Brigitte Fassbaender, Pamela Coburn and Herbert Lippert (712 1211)

## WASHINGTON

● Dance Theatre of Harlem opens a two-week engagement tonight at Kennedy Center Opera House. Repertoire includes Michael Smuin's A Song for Dead Warriors, Alvin Ailey's The River and Glen Tetley's Dialogues (202-467 4600)
● Giuseppe Sinopoli conducts Dresden Staatskapelle tomorrow at Kennedy Center Concert Hall in works by Wagner, Schoenberg and Beethoven. Academy of St Martin in the Fields plays Mozart, Dvorak, Sibelius and Tchaikovsky on Fri, followed on Sun by Bournemouth Symphony Orchestra under Andrew Litton, playing works by Tippett, Walton, Rakhmaninov and Tchaikovsky (202-467 4600)
● David Zinman conducts Baltimore Symphony Orchestra on Thurs, Fri and Sat at Baltimore's Joseph Meyerhoff Symphony Hall in works by Corigliano and Brahms, with piano soloist Mitsuko Uchida (410-783 8000)

## ZURICH

Opernhaus Tonight: Tosca. Tomorrow, Sun: choreographies by Bienert, Ek and Van Manen. Thurs, Sun afternoon: L'Italiana in Algeri with Agnes Baltsa. Fri: Die Zauberflöte. Sat: Lamberto Gardelli conducts first night of Andrei Serban's new production of Adriana Lecouvreur, with Mara Zampieri and Neil Shicoff (repeated April 26, 29, May 4, 7, 11, 15 and 18). Mon: Sandor Vegh conducts orchestral works by Schlee, Mendelssohn and Beethoven (01-262 0909)
Tonhalle Tomorrow: Claus Peter Flor conducts Tonhalle Orchestra in works by Frank Martin and Shostakovich, with bass soloist Robert Holl. Sun: Vladimir Koshuhar conducts Kiev State Opera Orchestra and Chorus in works by Rakhmaninov and Prokofiev. Next Mon: Mark Anderson piano recital (01-261 1600)
Schauspielhaus Repertory includes David Mamet's Oleanna, Dürrenmatt's The Visit and a play by early 20th century Viennese dramatist Hermann Broch, entitled Die Entsühnung (01-221 2283)

**ARTS GUIDE**
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**Sky News:** FT Reports 0430, 1730;

# Serious local difficulty

## Lewis Baston on prospects for UK parties in elections

Opinion polls suggest the UK local elections on May 5 will be a disaster for the Conservatives. The stakes are high for Mr John Major, the prime minister, amid the current speculation about a leadership crisis. Almost incidentally, they will decide control of hundreds of councils, from Penwith in west Cornwall to Shetland, and elect all the councillors of London.

Because of the low Conservative base and the varying regional trends, this year's local elections are more than usually difficult to analyse. How will they go and what will they mean?

The 32 London boroughs and the 12 regional and island councils in Scotland will be up for election, as will one-third of the councillors in the 36 metropolitan boroughs and 118 of the district councils in England and Wales. The bulk of the votes cast will therefore be in the big urban areas.

Council election results have always depended on what the 40 per cent of the electorate that bothers to vote thinks about the national government. The parties' shares of the vote tends to move in line with the opinion polls. As in general elections, campaigning is increasingly dominated by national issues and personalities. Mr Major's personal involvement, and Labour's emphasis on the government's tax record, show that the centralising trend continues.

However, since the mid-1970s – especially in areas where the Liberal Democrats have been active – the importance of local differences has been increasing. There has also been a tendency since the late 1980s for Labour to do worse in the local elections than in the national opinion polls. Last year, Labour's local showing lagged by about 6 per cent and the Liberal Democrats did correspondingly better.

In 1991 and 1993 there were signs of anti-Conservative tactical voting, particularly in favour of Liberal Democrats in the south and south-west of England. Liberal Democrat gains of seats and councils were more impressive than their percentage vote. With tactical voting and the unpopularity of the government, 1994 is likely to be one of the worst years ever for Conservative local election candidates.

One glimmer of hope for Mr Major is that the seats to be fought were last contested in 1990 – a similarly abysmal year for a Conservative government. Then, as now, Labour led in the polls by more than 20 per cent: the leadership of the prime minister, the then Mrs Margaret Thatcher, was under pressure; and new taxes – in 1990 the poll tax – were unpopular. The poor Conservative showing then suggests that even disastrous unpopularity will not cost many more seats this time, and a few gains might be possible.

Central Office may then be able to claim a victory and deflect attention from a poor vote, as it did in 1990 by concentrating on Tory triumphs in the "flagship" boroughs of Wandsworth and Westminster.

**National vote in local elections (%)**

| Year | Con | Lab | Lib Dem |
|---|---|---|---|
| 1988 | 40 | 40 | 18 |
| 1989 | 37 | 40 | 21 |
| 1990 | 32 | 42 | 18 |
| 1991 | 35 | 36 | 21 |
| 1992 | 45 | 30 | 19 |
| 1993 | 31 | 41 | 24 |

Every set of local elections since 1990 has produced some surprising results. The big story last year was the surge in Liberal Democrat strength which demolished the Tory shires, leaving only Buckinghamshire under Conservative control. This year the Liberal Democrats do not stand to win as many councils, though they are still likely to gain seats from both main parties. The Conservative vote has fallen so badly that the Liberal Democrats are the main opposition to Labour in Manchester, Sheffield and Southampton, as well as Liverpool and Southwark. They can also hope to make gains from Labour in several urban areas.

As always in elections, there will be variations in different parts of the country:

- In Scotland, the Scottish National party is hoping to break into the Labour heartland in the central belt, although it is unlikely to win control in any regional council.
- The Conservatives' hopes are concentrated in the West Midlands, where they did very well in the 1992 local elections. The party hopes to gain Wolverhampton and Dudley, and end Labour control of Birmingham, despite a recent by-election gain for Labour.
- Liverpool politics continues on its idiosyncratic course, with a conflict between Labour, the Liberal Democrats and candidates backed by the leftwing Militant group.
- Labour will have to defend many of its southern strongholds, such as Brighton.

As in 1990, the London elections will get the most media attention, because more councils may change hands in the capital than in other regions. Labour did poorly in London in 1990 compared with other areas, largely because of the reputation for poor services and high taxes that London Labour councils had acquired. The party can hope for more significant gains here than elsewhere, being 300 short of its 1971 peak number of borough councillors.

The official target list of Enfield, Ealing and Croydon seems modest – a reasonable swing should see Brent and possibly Redbridge fall too.

On the other hand, Labour is under Liberal Democrat attack in Lambeth, Southwark and Waltham Forest. If the Liberal Democrats are as strong as in 1993, they should win Kingston, and the Conservatives should lose Harrow, Bexley and maybe Bromley.

The Liberal Democrats may, however, lose Tower Hamlets to no overall control or to Labour, although politics there is confused. Both Labour and the Liberal Democrats are split, and there is a risk of the far-right British National party taking over the devolved neighbourhood council in the Isle of Dogs, where it won a by-election last year.

While the Conservatives lost in 1990, clever public relations turned it into a reprieve for Mrs Thatcher. This is cold comfort for Mr Major. The European elections in June will overshadow the local elections, and have a bigger impact on national politics – they could prove a tougher task for the public relations wizards of Central Office.

*The author is a researcher at Nuffield College, Oxford*

# First steppes to a consumer culture

## Despite obstacles, Western businessmen are wooing Russian consumers, says Leyla Boulton

In post-Communist Russia, political satire has been replaced by jokes about western consumer goods, while propaganda on television and street billboards has, ironically, switched from praise of communism to the promotion of the products of capitalism.

A consumer society, built largely on imports, is emerging from the ruins of a state-run economy, which for decades produced some of the world's most sophisticated weaponry while imposing on its citizens severe shortages of consumer goods – whether shoes or washing-powder.

Mr Victor Naishuller, an entrepreneur who set up Office Club, Russia's first discount warehouse for office supplies and furniture, says that of the 8,000 products it sells 3,000 – for instance, cardboard storage boxes – had never been seen in the country before.

Russians, used under communism to hunting for months to find a pair of boots or a sofa, are proving fussy consumers. When a Russian trader recently arrived in New York to buy a container-load of women's underwear, he insisted they should be labelled "made in the USA" as his customers would buy nothing else.

The emergence of western-style consumers, however, is threatening to fuel a political backlash against the growing social inequality and industrial decline which have accompanied market reforms.

Many Russians feel humiliated by the inability of their industry to compete with cheaper, better-quality, or simply better-marketed imports, including vodka. The adjustment of domestic production to the needs of consumers has been delayed by high inflation, which makes short-term trading in ready-made goods more attractive than long-term investment.

The government has reacted to growing protectionist pressures by clamping down on imports, with tariff increases making some staple foods more expensive. A symptom of popular resentment is the way western goods – from Snickers bars to imported Smirnoff vodka – are the butt of a spate of hostile newspaper articles and quips. One of several *anekdoty* by cosmically minded Russians about the chocolate bars made by Masterfoods, the US food company, relies on a TV advertisement claiming its Milky Way chocolate bars are so light they never drown in milk. Snickers see Mars crying and asks: "Why are you crying?" "Milky Way has drowned," says Mars.

This example of humour at the expense of western companies goes hand in hand with more serious difficulties. Public hostility pales in comparison to problems posed to western companies by high taxes and Mafia extortion. But, despite these teething troubles in the development of a consumer society in Russia, 150m people remain a tantalising market for western producers.

Mr Michael O'Neill, regional manager for Coca-Cola, which entered Russia after its rival Pepsi-Cola, but claims to be catching up fast, says that the "potential ... is quite fantastic". Though western companies account for only 20 per cent of the Russian soft drinks market, "it's just a matter of making the product available" for them to win the bulk of sales, he says.

Competition between western companies is so fierce that some pioneers are reluctant to talk publicly about how they built up a presence for fear of helping the competition learn from their experience.

Mr Larry Anderson, a partner at the Moscow office of Coopers & Lybrand, the accounting and management firm, says every company must devise its own solutions in Russia's tough business environment. But enthusiasm, he says, is a crucial component of success: "If you have the attitude that Russia's glass is half empty you are never going to get anywhere. You have got to start with the belief that the glass is half full."

The potential for companies with a popular product to attract consumers whose monthly salary averages $85 is shown by Masterfoods' transformation of its Mars and Snickers chocolate bars into household names in less than a year. In late 1992, only 5 per cent of Russians knew of Snickers, according to a Gallup poll; now the figure is about 80 per cent.

Establishing such awareness of a brand image calls for widespread distribution and aggressive advertising. The latter is helped by low advertising costs – western style TV air-time slots cost 10 cents per 1,000 viewers in Russia, against $6 per 1,000 in the US. Masterfoods' reach was illustrated by the concierge in a dilapidated hotel in Russia's breakaway Chechnya region. Her first question, after apologising for the hotel's broken window panes and lack of heating, was: "Will you have Snickers with your tea?"


Tony Andrews

Russian shoppers: the gap between rich and poor is widening

The second factor, distribution networks, which did not exist five years ago, have been forged through the joint efforts of western companies and Russian entrepreneurs, deploying methods that range from primitive to sophisticated.

On the primitive end of the scale, Mr John Bailey, managing director of the Russian subsidiary of Johnson & Johnson, the US pharmaceuticals group, says: "We had to start our distribution from scratch, with Russian enterprises banging on our door and us sending people out banging on Russian organisations' doors. We've had people coming to us in trucks from the far east of Russia to collect things." Although trucks keep coming from far-flung corners of Russia, he can now use domestic wholesalers.

At the more sophisticated end is Mr Naishuller's Office Club. He opened the edifice on the edge of Moscow after abandoning negotiations with Office Depot, the US office supplies chain, to open branches for them in Russia. Frustrated by the "very bad" terms they were offering, he decided to go it alone, with the help of two former Office Depot employees from the US. Later this year, he hopes to open three more Office Club stores – in St Petersburg, Siberia and in the rich southern Volga region.

However, despite progress, distribution is uneven and prices are high in what remains a sellers' market. To promote the growth of a consumer society, many western and Russian companies believe manufacturing operations must be set up to generate jobs, local wealth and goodwill.

With only 85 of Office Club's 8,000 product lines made by Russian companies, Mr Naishuller says he plans to encourage Russian companies to produce more by investing in a number of them.

Some western companies are already making strategic investments in Russian industry. MasterFoods, for instance, is negotiating to build three food-processing factories near Moscow. Others are buying into and upgrading existing plants through the government's privatisation programme, which aims to put 80 per cent of Russian manufacturing in private hands by July 1.

With the aim of acquiring a controlling stake, Procter & Gamble, the consumer products group, last November bought 15 per cent of a Russian plant which has been making its Ariel washing-powder since 1992. Western cigarette manufacturers were also among the first to take up opportunities offered by privatisation. Mr David Geovanis, director of a joint venture involving the US's Liggett & Myers tobacco company, says its Moscow factory is now producing US-style brands using Virginia-blend tobacco. But it will still make cheaper local brands because they have a "big market".

Yet the fact is that western investment is mainly designed to promote the sale of western goods. In addition to stimulating popular hostility, it is also generating an increasingly influential protectionist current among Russian businessmen. Their argument for measures to shelter nascent Russian free enterprise also has a political dimension. Mr Vladimir Gussinsky, a Russian with large banking and construction interests, warns that, unless more is done to help domestic industry, "a backlash under the influence of [ultra-nationalistic] patriots, who ask why we should drink foreign vodka, could well create a fascist state in Russia". While such warnings are motivated by a strong element of self-interest, they highlight a trend foreign companies will be increasingly unable to ignore.



# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Drawbacks to share option procedures

*From Mr David M W Brooks.*

Sir, I refer to your article, "Avoid the BP trap" (Management, April 15), concerning the need for executive pay and, in particular, share options to be linked to performance measures.

The article indicated that some companies may select the criterion that share options will become exercisable if a company's earnings beat inflation by 2 per cent in three successive years. This approach has two principal problems.

First, the joint statement by the National Association of Pension Funds and the Association of British Insurers requires companies to choose performance measures which will produce "significant and sustained improvement in underlying financial performance". That implies that a company must consider measures that are appropriate to themselves and not simply adopt a measure because other companies are doing so.

Second, chairmen of remuneration committees may well have to justify to shareholders in the future why substantial gains from share options have been realised when the above earnings performance measure has been beaten, but where a company's performance compared to its sector or the FT-SE 100 is very poor.

If the link between corporate performance and executive remuneration is to become meaningful, the use of industry standards is dangerous. In the current environment, companies should question why they have share options if they have not chosen performance measures appropriate to their specific circumstances.

David M W Brooks,
*head of senior executive compensation group,*
*William M Mercer,*
*Dexter House,*
*2 Royal Mint Court,*
*London EC3N 4NA*

## Channel control overdue

*From Mr Kevin Shilleto.*

Sir, A month ago a 100,000 ton tanker was in collision in the Bosporus. More recently, a 300,000 tonner spilled 7,000 tons of crude oil in the Straits of Oman, after hitting a bunkering tanker. On March 31, there was a near miss in the English Channel between a 22,000 ton super-ferry and a small freighter.

What all these incidents have in common is their occurrence in confined waters. A disaster of almost unimaginable proportions is well overdue off Dover between a ferry carrying up to 2,000 passengers and a fully loaded supertanker. If one vessel strikes the other, the ferry will sink in minutes. All roll-on, roll-off ferries are simple cardboard boxes, open plan on several decks without bulkheads and inherently unsafe when breached.

Traffic on cross-Channel routes has more than doubled since the Spirit of Free Enterprise disaster but still no effective traffic control system such as that operated by the Civil Aviation Authority exists, although satellite scanning of the entire Channel is feasible. Official routing exists, but monitoring each vessel in transit through or crossing the Channel cannot be delayed. The British and French governments and the International Maritime Organisation must be deemed dilatory to the point of fecklessness in this regard.

Kevin Shilleto,
*Internaft,*
*Collier House, Suite 312,*
*163-169 Brompton Road,*
*London SW3 1PY*

## No hijack of Kent chambers

*From Mr John Clark.*

Sir, As a leading player in the East Kent Initiative, we congratulate you on your representation of the situation in our part of the world (East Kent survey, April 8). However, we feel the article headed "Striking the right balance" gives the wrong impression concerning chambers of commerce in Kent.

In effect the Kent Chamber of Commerce represents only six individual chambers which in turn have a collective membership of some 1,300 businesses – not the 3,000 quoted. Our organisation, Associated Kent Chambers of Commerce, comprises 1,800 businesses in the membership of seven chambers.

A merger between the two bodies has been agreed in principle and only when this comes to fruition will the new organisation become one of the UK's largest chambers.

By networking a series of local chambers, we believe we shall be delivering a strong organisation to assist the development of Kent's businesses, to represent their interests to government and, hopefully, through being truly representative, be able to fight off what we see as government's attempt to hijack the chambers of commerce movement through mergers with Training and Enterprise Councils.

John Clark,
*chief executive,*
*Swale Chamber of Commerce,*
*Swale House, East Street,*
*Sittingbourne,*
*Kent ME10 3HT*

## Confused thinking about Russian 'gradualism'

*From Professor Padma Desai.*

Sir, Professor Anders Aslund (Letters, April 12) recounts the well known facts of the decline in Russia's inflation during the last several months to the current 9 per cent per month to assert that Viktor Chernomyrdin, the prime minister, is now opposed to "gradualism" and has moved into the camp of the discredited "shock therapists". Virtue has triumphed; the folly of my longstanding support of gradualism has been exposed. But this claim is confused in its economics and facile in its politics.

Shock therapy meant a drastic and swift slashing of the budget deficit with a view to killing the inflation forthwith. Gradualism, in my view, does not imply the lethargy of Oblomovism. It calls instead for a gradual but firm and credible approach to cutting the deficit and the inflation. That is certainly what the former finance minister, Boris Fyodorov, eventually turned to, when shock therapy (begun in January 1992) had failed: the results have been coming in.

The chief question, raised by Fyodorov in your columns ("Dangers of western gullibility", March 28) and ignored by Aslund is whether the prime minister's support of this gradualist programme is genuine, as the International Monetary Fund has apparently concluded, or whether it is a sham as Fyodorov fears.

Political analysis and forecasts are always tricky, especially in Russia. But the likelihood of the optimistic scenario being right is more compelling.

The new Chernomyrdin administration is more cohesive and, so far, free from the internecine political feuding in the earlier government. It is also a cliche, but true, that Chernomyrdin, a "manager" from the hinterland, is more likely to carry the country (especially the large factories) with him on the adjustment costs of even gradual stabilisation than hardline "technocrats" from Moscow.

The IMF and the G-7 will have to monitor closely the situation and tailor aid flows to the unfolding programme. But they cannot be faulted for thinking that Russia deserves, not just needs, a chance.

Padma Desai
*Department of Economics,*
*Columbia University,*
*New York, NY 10027,*
*US*

## Efficiency pays for wage deal

*From Mr Dennis Battle.*

Sir, One small but important point on David Goodhart's article on our pay deal ("Customs staff given performance pay targets", April 18). The deal will not increase the bill by 2.6 per cent. In line with the chancellor of the exchequer's policy, our pay bill is frozen at its 1993-1994 level, and the cost of the 2.6 per cent deal will be funded through efficiency savings.

Dennis Battle,
*director personnel,*
*HM Customs & Excise,*
*New King's Beam House,*
*22 Upper Ground,*
*London SE1 9PJ*

هكذا من الاهل




# FINANCIAL TIMES

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Tuesday April 19 1994


## Brands on the run

A year after the startling decision by Philip Morris to cut the US price of Marlboro cigarettes, this response to collapsing sales looks much more than an isolated incident. Makers of most other branded consumer goods, from food to toiletries, are finding that consumers are increasingly reluctant to pay premium prices for their products.

The latest evidence of the manufacturers' discomfort is their campaign to amend the UK trade-marks bill, which received its Commons second reading yesterday, so as to prohibit retailers from selling "copycat" own-label versions of their brands. The manufacturers' concern is understandable, given the increasing success of keenly priced own-label ranges. However, such a ban would probably offer only a temporary palliative. Nor will economic recovery automatically reverse the industry's recent misfortunes.

The surge in consumer spending which inflated branded manufacturers' profits and spurred a take-over frenzy in the late 1980s blinded them to fundamental shifts in their industry. What today seems a golden age was actually the swan song of outdated business methods.

Many companies are still struggling to escape from an industrial time warp. As some admit, their priorities have been dictated too much by the need to keep costly mass-production lines busy and not enough by market demand. Their much-vaunted marketing departments have often become inward-looking bureaucracies, cut off from the real world. Innovation and consumer responsiveness have suffered as a result.

Many western industries, such as US car manufacturers, have grappled with similar problems since the early 1980s. Consumer goods producers have avoided them until recently for two reasons. One is the increasingly oligopolistic structure of their markets, in many of which no more than three suppliers can survive profitably. The other is the lack of effective competition from Japanese and other Asian manufacturers, few of which have so far ventured onto international markets.

But recession and the steadily growing power of supermarket chains have changed all that. This is especially true in the UK, where centralised buying and distribution have enabled supermarkets to drive increasingly hard bargains. Furthermore, their electronic sales information systems provide detailed marketing data long before it is available to manufacturers. As a consequence, a traditional contest between customers and suppliers has become a battle between their different brands.

It is little consolation to manufacturers that not every supermarket has made the formula work, nor that they can still dominate unsophisticated retailers in the emerging economies where sales are growing fastest. Modern retailing technology moves quickly across borders, while the profits available from own-label ranges will encourage supermarkets to keep experimenting with them.

Many manufacturers have sought to restore battered margins by cutting costs. Some are reorganising their marketing. However, their brands will once again command historic price premiums only if they are backed by products which are genuinely novel, distinctive and of superior quality. In an era when technology and innovation are easily appropriated by competitors, that requires unrelenting effort and constant corporate renewal. But companies which shrink from the commitment will doom their brands to extinction.

## Dependence

The governor of the Bank of France enjoys monetary policy autonomy, but his freedom of manoeuvre is painfully narrow. Since the central bank was allowed to set interest rates independently of the government at the end of last year, Mr Jean-Claude Trichet and his colleagues have reduced cuts in short-term French rates to a trickle. The constraints were underlined by yesterday's decision to keep the bank's money market intervention rate unchanged, in spite of Thursday's ¼ point reduction in the Bundesbank's interest rates.

As a reward for caution, the bank can point to a partial decoupling of French capital market yields from those in the US. After yesterday's Federal Reserve tightening, cuts in short-term European interest rates may however peter out before too long. That would leave French monetary policy at the mercy of potentially adverse interest rate moves in the US and Germany at a time of possible strain within Mr Edouard Balladur's government in advance of the May 1995 presidential elections.

The Bank of France argues that the present mix of short- and long-term interest rates is the best available in the unfavourable international circumstances. In view of the importance of long-term interest rates for French housing finance, there is a more pressing need than in Britain to maintain low bond rates. However, long-term French yields, although up by less than in the US, have risen by nearly 1.2 points since late 1993. With French inflation down to only 1.5 per cent, real interest rates, long- and short-term, are far too high to support self-sustaining recovery.

One reason for Bank of France prudence lies in the build-up of FFr1,200bn in non-resident holdings of franc-denominated securities. Any attempt to cut rates faster than the Bundesbank, it fears, could provoke a bond market sell-off. However, the Balladur government's fiscal measures to counter 12.5 per cent unemployment are already adding to bond market worries about the rising structural budget deficit. Long-term fiscal disarray will spell the end to France's dreams of European monetary union. Yet the longer sluggish French growth lasts, the more unpalatable will be the measures needed to reduce the budget deficit to the Maastricht target of 3 per cent of GDP.

France's best hope is that it will be able to follow more inch-by-inch Bundesbank cuts in coming months. If Germany starts to show firm signs of economic recovery ahead of France, tighter interest rates in both New York and Frankfurt later this year could subject French monetary policy to an increasingly cruel test.

## Fed up

Much ink will be spilled in the attempt to rationalise the US Federal Reserve's decision to signal a third successive increase in short term interest rates in less than two months; and much of the spillage will be in vain. Not even Fed chairman Mr Alan Greenspan can fine tune monetary policy on a month-to-month basis in response to the latest data on the economy – least of all when the first quarter has been subject to freakish weather conditions and a Californian earthquake. What is clear is that the Fed is seeking to shift monetary policy to a more neutral stance as quickly as it can manage without destabilising markets further. The question is still what constitutes neutrality.

The Fed's concern is with the real federal funds rate after allowing for inflation. On most reckonings, this was around zero before the first nominal rate increase in February. Since 1979, the real federal funds rate has averaged some 3½ per cent. Yet to take as a yardstick a period in which successive Fed chairmen were seeking to squeeze inflation out of the system after the shocks of the 1970s would be perverse, in the present less inflationary climate.

Moreover, past comparisons are dangerously misleading in another sense. The shape and composition of the balance sheet of the personal sector has changed dramatically as a result of demographic change and the debt build-up of the 1980s. The elderly and the rich, who borrow little, now account for a larger share of the population's total income, so the debt servicing burden is falling on a narrower proportion of the population's income. At the same time, the increasing share of tax privileged forms of investment in household assets means that savings are less liquid and that the less rich and the less old have a smaller margin of safety in their financial arrangements.

These structural changes may not be having a significant short run effect on the economic growth rate, which remains exceptionally robust. But they do suggest that consumers may be more sensitive to any given change in interest rates than in previous economic cycles. Against the background of a run down in the household savings rate to four per cent or less, and the possibility that inflation may be more subdued than the bond market assumes, this might point to a relatively cautious Fed view of what constitutes a neutral policy stance in today's circumstances – a federal funds rate nearer four and a half, say, than five per cent. But it also underlines the inherent problems in reading the US economy. US short rates still have further to rise. The longer run question is whether a tougher than neutral stance will be needed.

# Idealism gives way to disenchantment

### Humiliating failures in Bosnia, Somalia and Rwanda have undermined the role of the UN, says **Bruce Clark**

Rarely can an empire have risen or declined so rapidly. The number of soldiers wearing the blue helmets of the United Nations has soared over the past four years from 10,000 to 70,000. The number of man-hours devoted to UN matters by generals and politicians in the world's leading powers has ballooned: woe betide the ambitious diplomat who cannot master its baffling acronyms.

But the fall of Gorazde, the so-called safe haven for Moslems in eastern Bosnia, should quash any remaining temptation to regard the gaunt skyscraper on New York's East River as headquarters of a world government in embryo.

It seems a long time since mid-1992 when Mr Boutros Boutros Ghali, the UN secretary-general, sought to raise the body's profile with his ideas for preventing civil wars, cross-border conflict and humanitarian disasters.

In Bosnia, at least, the UN now faces the worst of all possible worlds. It has unleashed its most powerful weapon – air strikes – against the Serbs, and failed to achieve either the protection of its own personnel or the preservation of the haven. The UN is thus neither an effective belligerent nor a credible honest broker. Even its role as a distributor of aid has been compromised. In recent days the UN has experienced another setback, where the human consequences are worse and the failure more complete: the orgy of blood-letting in Rwanda, where Belgium, the linchpin of a peacekeeping effort, is scrambling to pull out.

The organisation's bureaucrats and soldiers may justifiably argue that neither failure was their fault – they were given inadequate resources and incoherent mandates. But that will not stop blame accruing to the UN and its secretary-general. Just as the UN may once have been a convenient vehicle for the strategic ambitions of member states, it will now serve as a convenient scapegoat for their failures.

Mr Boutros Ghali, already a *bête noire* among the Serbs and their traditional allies in Russia for ordering air strikes, now faces calls for his resignation from Moslem countries because the strikes patently did not work.

His humiliation in Bosnia is not so much a turning point as a landmark in a process that began last autumn with a precipitous decline in the US's popularity in the US, which remains the principal paymaster and was the main architect of its rise in status.

Mr Bill Clinton once gushed with enthusiasm for the UN. As a US presidential candidate, he backed the idea of a standing "rapid deployment force" whose brief showed a touching faith in the solubility of conflict. It would guard borders, prevent atrocities against civilians, distribute aid and deter terrorism.

The onset of disenchantment is not hard to pinpoint. It began last August, when the first US soldiers were killed in Somalia, and it became total on October 3, when 18 Americans died in Mogadishu.

The UN fell even further out of fashion when the US ships dispatched to Haiti a few days later, with a UN mandate to restore democracy, failed even to land. Knocking the UN, and pledging that US soldiers should never be subordinated to the incompetent foreigners, was an irresistible temptation for US politicians. Squabbling over the US role in the UN has led to long delays in the publication, now expected this week, of a presidential directive on the deployment of troops abroad.

The degeneration of the UN's relief effort in Somalia into an ugly shooting war was not the first disaster. But Mogadishu was the first televised fiasco. According to Dr Mats Berdal, a Norwegian political scientist and authority on peacekeeping, the loss of nerve in Somalia shows that "US policy is flawed by swings between idealism and overhasty disappointment".

Europeans have often discerned the same contradiction in US policy towards Bosnia as they saw in Somalia – the same yearning for solutions that are both effective and risk-free. Air strikes, when combined with the enticing word surgical, seemed to offer that combination: they would punish wrongdoers and bring instant results without risking American lives.

As experience has shown, this was a false hope. Few people understand that better than General Sir Michael Rose, the UN commander in Bosnia. He is well-qualified to discern theoretical flaws in the UN operation: a disastrous muddle over vocabulary. In his previous role as commandant of the British Army Staff College, he sponsored a revival of research into the theory of peace-keeping. He insisted on the distinction between peace-broking, peace-keeping (guarding a peace to which all parties have agreed) and enforcing peace against the will of some of the parties.

The UN – or its leading members – failed to observe that distinction when they drew up the mandate for the former Yugoslavia and allocated money and personnel. To impose peace against the will of any party, the UN would have needed far more firepower on the ground that members were prepared to commit. Mr Malcolm Rifkind, the UK defence secretary, openly expressed his frustration in New York last week. He described as "difficult to understand" the US refusal to finance – let alone staff – an increased ground force in Bosnia. "We must not put ourselves in the situation where we lack the tools to carry out the job," he said.

Ironically, the outbreak of recrimination over UN failure has come as the much-maligned bureaucracy in New York is finally becoming streamlined. The Department for Peace-Keeping Operations has, under the galvanising effect of the Bosnian crisis, started to work more effectively. Gone are the days when UN commanders in Bosnia would complain that nobody in New York worked weekends. Insiders say the department has become better at the things it can realistically do – gathering information, planning for future requirements, exercising broad control over finance and personnel – and better at delegating to commanders in the field the operational control that it cannot realistically exercise.

It would be ironic if these improvements – initiated during Mr Clinton's early period of US enthusiasm for the UN – were now wasted because of a politically inspired witch-hunt. The president's love affair with the organisation began in the immediate aftermath of the cold war, when it was tempting to believe that all world problems could be jointly managed by the west and a compliant Russia.

The fact that Russia has now broken ranks with the west over Bosnia – by denouncing the air strikes against the Serbs – probably sets the seal on that period of optimism.

Now Russia is trying to do what the US, in a sense, failed to do – turn the UN into an instrument of its own policies. It is pressing hard for the UN's blessing, and above all for UN finance, for the maintenance of Russian forces in the unstable southern republics of the CIS. Here again, it will be essential to bear in mind the distinctions on which Gen Rose insists if the UN wants to avoid fresh blows to its credibility.

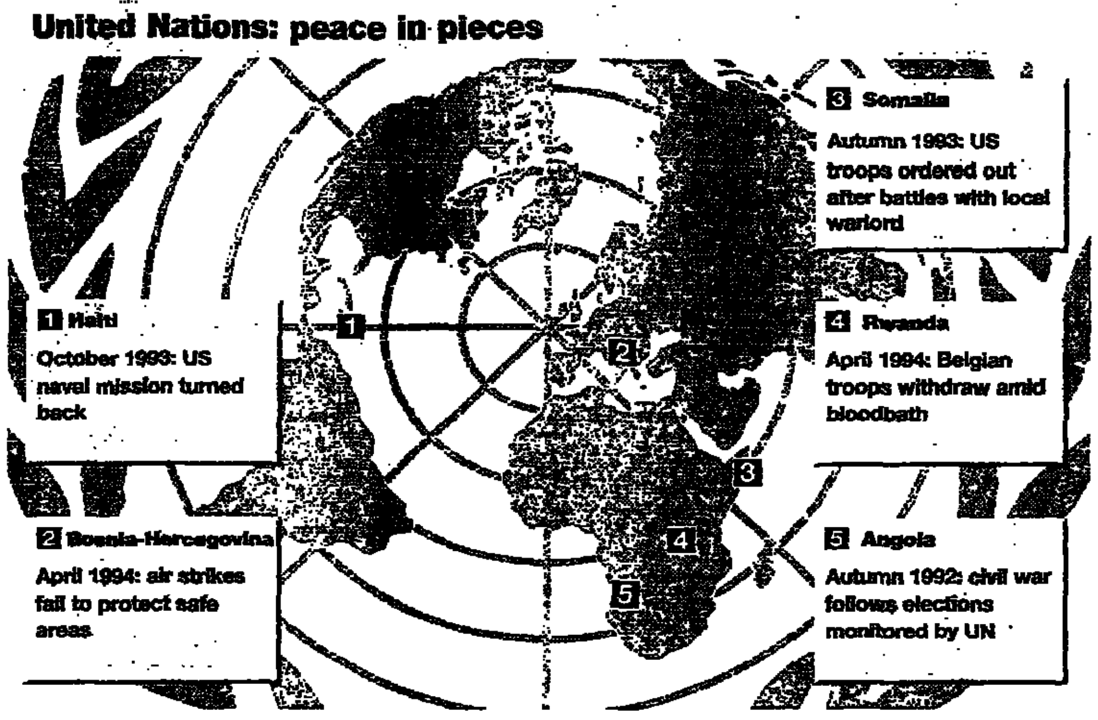
The Russian word for peacekeeping – *mirotvorcheski* – means making peace, establishing peace in a situation where none exists. And Moscow's approaches to the establishment of peace have not, in practice, been hemmed by any of the squeamishness about taking sides, or taking casualties, or observing legal niceties.

Western diplomats at the UN are thinking hard about the terms on which they could give the organisation's blessing to a mainly Russian peacekeeping operation in the Black Sea war zone of Abkhazia, where Georgian government forces were routed last summer.

Having approved a UN resolution that made possible the western air strikes against the Serbs, Russia will from now on be more careful about how it uses its vote in the Security Council: it will not permit any more ambiguous mandates. The US, UK and France will in turn be more careful about giving *carte blanche* to Russia.

That could mean a partial return to the cold war days when east and west continually vetoed one another's resolutions – and place further obstacles in the path of the blue helmets. the

**United Nations: peace in pieces**




# City must defend its capital position

PERSONAL VIEW

Last autumn, Britain's chancellor of the exchequer announced that Stephen Dorrell, financial secretary to the Treasury, would conduct a review of the "impact of tax and other government policies on savings and the flow of funds through the economy". For a while, nothing emerged. Last month, however, at a Confederation of British Industry conference, Mr Dorrell told his audience that he had come to enlist their aid in a dialogue over the issues raised by the review. He betrayed a belief, a dangerous one in my view, that the emphasis in the UK on dividend yield has reduced cash available to companies and harmed their ability to carry through capital investment programmes.

At M&G, we strongly dispute this belief. We also believe it is imperative that the City makes its views known. Life and pensions policies, unit trusts and the corporate sector could all be affected. As the CBI said following the speech, the review is of potentially greater significance than was originally thought. At the CBI seminar, Mr Dorrell said its purpose is to test the UK's "arrangements for handling savings and investment against our desire to promote efficient allowance of capital within the economy". Perhaps it is some of the weaknesses he identified that are most intriguing:

- manufacturing is now a small part of the UK economy.
- dividend pay-out ratios appear to be relatively high in Britain, particularly when compared with continental European economies.

M&G's view is that these points fail properly to understand the role of the institutions. In particular, institutions do not manage companies – boards of directors do that. It is for those boards to identify good investment opportunities and for institutions to assess them and to place their money accordingly. So-called good investment opportunities are those which provide the prospect of an adequate return on capital employed.

It is, of course, the stock market generally that passes judgment on the wisdom of a board's long-term investment programme. It is no accident that the manufacturing sector, in terms of gross domestic product, has shrunk in the postwar period, as it has in other western countries. Foreign competition is often fierce and returns on capital commensurately lower unless the company concentrates on high added value, often technology-driven, areas. The non-manufacturing sectors, in contrast, have often suffered less competition and have prospered accordingly.

**I am convinced of the correctness of high payouts and of capital-raising where necessary**

Mr Dorrell particularly emphasises the UK's high dividend payout ratio. The UK equity market is very large in relation to the size of the economy and the UK corporate sector is probably the least dependent of any major nation on bank finance. It is therefore hardly surprising that the payout ratio is the highest: by contrast, bankers abroad insist on stronger internal cash surpluses to repay debt as a matter of prudence, and so they should. I believe many overseas companies are actually envious of the freedom that the UK's largely equity financed corporate sector enjoys.

In the very long term, it is the flow of dividends that determines capital values and hence returns to shareholders: perhaps, in the fullness of time, Mr Dorrell and his Treasury team will come to appreciate better the excellent returns produced by British industry. He may also become more fully aware of the vital discipline on company boards that dividend paying represents. To cut a dividend usually leads to a fall in share price and will diminish the company's ability to raise equity finance and lead to its increasing dependence on bank finance.

I am therefore convinced of the correctness of high pay-outs and of capital raising where necessary, a process which acts as a filter mechanism. The City enjoys a flexible capital-raising system, and the process does not constitute "unnecessary and expensive churning", as Mr Dorrell suggests. It not only reduces companies' reliance on bank debt, it also makes them less vulnerable to the wide swings in interest rates that have been a characteristic of UK economic management since the second world war.

It is clear the City needs urgently to understand the broad scope of Mr Dorrell's review and the potential impact it could have on capital investment and on savings – and it needs to respond. It needs to address two particular questions: will the proposed changes benefit industry and the saver? And will they increase or decrease the flow of savings from the private to the corporate sector which is so necessary for the continued expansion of the UK economy?

**Paddy Linaker**

*The author is managing director of M&G Group*

# OBSERVER

## Double trouble

■ Britain's John Major had an unusual opportunity yesterday to compare notes with a fellow prime minister who came to office on exactly the same day in 1990: Goh Chok Tong of Singapore.

That's not all the two have in common. Goh has had a few political problems of his own – the odd electoral setback, for example, and the tendency of his predecessor Lee Kuan Yew to deliver stern rebukes when the government has looked like straying from his chosen path.

On the whole, however, with Singapore's economy growing at nearly 10 per cent a year and support for the authoritarian ruling party running at 61 per cent at the last count, Major had to acknowledge that Goh's little local difficulties are ones he can only dream of.

## Power play

■ Meanwhile, latest word from Kuala Lumpur is that normal relations between Malaysia and Britain could be restored before too long. The rumours appear to have been prompted by Daim Zainuddin, one of Malaysia's wealthiest businessmen, who recently returned from a trip to London.

Daim, a close confidant of Mahathir Mohamad, the prime minister, has come up with an ingenious reason why Malaysia's ban on doing business with British companies – imposed after sections of the British press said unflattering things about the Malaysian prime minister – could be lifted within three months.

Part of the problem in resolving the row has been the less than warm personal relations between Major and Mahathir. Having surveyed the British political landscape, Daim has concluded that Major will not be around too much longer. So when the new man comes into Downing Street Mahathir will take the opportunity of burying the business hatchet.

All very neat – but not necessarily a theory No 10's present incumbent would agree with.

## Trading places

■ Once upon a time there was a fine old City club called the Accepting Houses Committee. It let in all sorts of riff-raff and changed its name to the British Merchant Banking and Securities Houses Association.

Five years on and the increasingly international membership now feel that the word "British" is no longer appropriate and the term "securities houses" is a bit long-winded.

So unless there is a last-minute revolt at the annual general meeting on May 5, the BMBA will become the London Investment Banking Association (LIBA). It seems only a matter of time before an American is allowed to be chairman and this once proud City institution is renamed yet again.

How about the American Investment Bankers Club Abroad?


'You're right – this satellite photo of Gorazde does show a Serbian soldier smirking'

## Good Hope

■ The white South Africans who have bought up just about every seat on flights out of the country before the election have mostly purchased return tickets – not least because they are cheaper than one-way fares.

One of their number who really will be ditching the return portion is 39-year-old Graham Bell, until recently the highly rated chief economist for Johannesburg brokers Ivor, Jones, Roy. He arrives at Barings on Thursday to start his new job as head of the merchant bank's South African sales and research desk in London. A Jo'burg office is also planned, serving as a regional base for business in other southern African countries, too.

The bank's timing may look to be on the foolhardy side of brave, but is no doubt born of the confidence derived from beating other UK houses fair and square into almost every other emerging market to date.

## No quibble

■ Anne Wibble, formidable chairman of the governors of the European Bank for Reconstruction and Development, was yesterday explaining the significance of St Petersburg as the venue for this week's relaunch of the bank under Jacques de Larosière's stringent regime. It was, she said, "a city founded in another reform era of watershed proportions during the reign of Peter the First". On marshland which he had won by conquest from her native Sweden, she diplomatically omitted to add.

The conference audience, which included Viktor Chernomyrdin, prime minister and possible successor to Boris Yeltsin, later had the benefit of her views on the dangers of slow-paced reform. "The gradualist approach can easily lead to a vicious circle of generalised subsidies to non-viable activities, continuous budget deficits, prolonged high inflation, falling exchange rates, capital flight and economic stagnation." On the subject of the political costs to the likes of Chernomyrdin in the alternative tough-it-out approach, she again chose to play stumm.

## Bloated

■ Political hacks were distinctly thin on the ground at BBC Enterprises' launch party for the publication of Tony Benn's diary tapes at the House of Commons yesterday.

Indeed, it seemed largely to be an exercise in feeding numerous functionaries from obscure corners of the BBC, many of whose ample titles barely fitted onto the name tags. A surprising proportion proved more than a little vague on the subject of the Benn product.

## Riviera run-away

■ Have creditors seeking Jürgen Schneider, the fugitive German property tycoon with the unco-operative hair piece, checked sans toupee?

FINANCIAL TIMES
Tuesday April 19 1994



Chief Buthelezi's Inkatha Freedom party may take part in poll

# S Africa talks breakthrough near

**By Patti Waldmeir in Pretoria and Mark Suzman in Johannesburg**

A breakthrough in South Africa's political crisis that would allow Chief Mangosuthu Buthelezi, the Zulu leader, to participate in next week's all-race elections appeared suddenly within reach last night.

Following a day of talks with President F.W. de Klerk and African National Congress officials in Pretoria, Chief Buthelezi said he was confident of positive results when the talks resume today.

It is understood that the proposed deal will involve the recall of the old white-dominated parliament to entrench the powers, largely symbolic and ceremonial, of Zulu King Goodwill Zwelithini in the interim constitution.

Neither the South African government nor the ANC appear to have conceded ground in the fundamental issue that has led to the stalemate – Chief Buthelezi's demand for what amounted to autonomous status for the Natal province which includes his KwaZulu "homeland".

Election officials were last night investigating the possibility of a last-minute amendment to ballot papers that would allow the inclusion of Chief Buthelezi's Inkatha Freedom party. Should this not be possible, the agreement could be in jeopardy, officials warned.

Asked whether Inkatha would participate in the poll, Chief Buthelezi said that it was possible but noted that there would be practical problems, including the fact that his party would have only a few days in which to campaign.

Any deal would allow political violence to abate. In March nearly 300 died in the Natal province, and more than 240 lives have been lost there this month alone.

Mr Nelson Mandela, ANC president, will join Chief Buthelezi and Mr de Klerk at a summit in Pretoria this morning which officials hope will produce endorsement of a deal understood to have been agreed in principle yesterday.

The deal has been endorsed by Mr Cyril Ramaphosa, the ANC secretary-general, and Mr Joe Slovo, the South African Communist party chairman who is also one of the most influential figures in the ANC. Both participated in yesterday's session.

Those close to the talks said that Chief Buthelezi demonstrated much greater willingness for a settlement. "He was a different man today," said one official. "He came here suing for peace."

Apparently crucial in yesterday's initiative was the involvement of Prof Washington Okumu, a Kenyan member of the team of international mediators that arrived last week.

The financial rand, the main indicator of foreign investor sentiment, strengthened on renewed hopes for a settlement, finishing in London 5 cents higher at R5.345 to the dollar.

# Japan's Asia trade surplus tops US figure

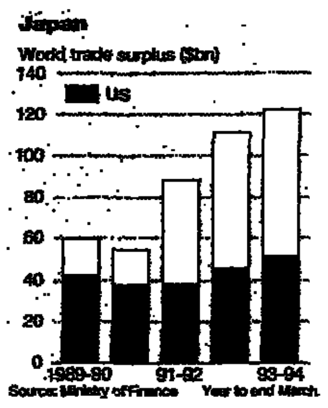
**By Paul Abrahams in Tokyo**

Japan's trade surplus with Asia surpassed that with the US for the first time during the financial year that ended last month, according to the Japanese finance ministry.

The figures demonstrate the rapid shifts in trading patterns among high-growth countries of east Asia, and provide ammunition for governments in the region that have become increasingly concerned at Japan's trade surpluses.

The surplus with China, South Korea and the Association of South East Asian Nations (Asean) during the 12 months to March 31 expanded 25.1 per cent last year to $55.95bn while Japan's surplus with the US was $51.14bn, up 11.8 per cent.

Finance ministry officials said




the 12.3 per cent depreciation of the dollar over the year was partly to blame, as the overall surplus during the financial year fell 4.7 per cent to Y13,180bn, the first fall for three years. However, in dollar terms, the surplus rose 10 per cent to a record $122bn.

Japan's trade surplus with Asia is being driven by a sharp rise in consumer spending and capital investment in the area, and by the building of Japanese plants there to assemble products from components manufactured in Japan.

Meanwhile, Japan's trade surplus with the US rose 20.8 per cent during March to reach $4.96bn, raising the possibility of further pressure from Washington for market-opening measures. The overall surplus for the month reached a record $13.55bn, an increase of 4.3 per cent on a year earlier.

The surplus with the US during March expanded on a 12.6 per cent increase in Japanese exports to $10.6bn, reflecting stronger demand from the US economy. However, imports rose only 6.1 per cent, as domestic demand remained weak in Japan.

The latest data are a disappointment for the Japanese government since they follow a 0.9 per cent fall in the trade surplus with the US during February compared with the same month in 1993. But Mr Tsutomu Hata, the foreign minister, and tipped to become the next premier, said existing trade policies would be maintained.

"Japan needs to tell the world that there will be no change in policy, and that includes protecting free trade," Mr Hata said.

Mr Lloyd Bentsen, the US Treasury secretary, warned that Washington would continue to insist on Japan opening its markets. The US has been demanding that the surplus be reduced.

# GEC Alsthom clinches $2bn S Korean deal

**By John Ridding in Paris and John Burton in Seoul**

GEC Alsthom, the Anglo-French engineering and transport group, yesterday clinched a $2.1bn contract to supply locomotives and electrical equipment for South Korea's high-speed railway.

Mr Pierre Suard, chairman of Alcatel-Alsthom, GEC's French partner, said the group had signed a letter of intent to supply the equipment and technology for the 430km high-speed line which will link Seoul with the southern port of Pusan. The total cost of the project, due to be completed by 2001, is estimated at about $13bn.

The announcement follows a four-year battle between GEC Alsthom and international rivals, including a German consortium headed by Siemens and the Japanese group Mitsubishi. The South Korean contract, one of the largest to be awarded in the industry, is regarded as a likely bridgehead for further high-speed rail ventures in the region.

South Korean companies will be allowed to sell the TGV (train à grande vitesse) to other Asian countries once they assume full control of the transferred technology and production in 2002.

GEC Alsthom had been granted sole negotiating rights for the contract last August. But negotiations were extended as South Korea sought to lower costs and increase the level of technology transfer.

The final contract price is about $270m lower than the bid offered last August. The proportion of local manufacturing has also been increased from about 44 per cent to 50 per cent, GEC Alsthom said.

The deal will be financed by a consortium of French banks, led by Banque Indosuez. Mr Suard said competition for the contract had been fierce, but it remained a profitable venture for GEC Alsthom. The project would guarantee 800 jobs for the group and its suppliers for four years.

GEC Alsthom and its Korean partners will supply 46 high-speed trains, 34 of which will be built in South Korea.

# Bank criticised over Schneider

Continued from Page 1

banks", with repercussions for the recovery in eastern Germany. *It presented the market economy* in the wrong light, he said.

Deutsche Bank yesterday rounded on critics of its role in the crisis, giving an account of how it had reacted after a board member received a letter from Mr Schneider on April 7 asking for further credits and saying that on medical advice he had gone to an unknown destination.

"Up until this point in time there were no considerable payment delays [in respect of Schneider credits] within the Deutsche Bank group," the bank said. "It was only then that it became clear that the group was in acute financial difficulties."

The bank said that in the following days it held talks with officials at Jürgen Schneider AG, discovering evidence which gave rise to the suspicion of fraud.

Deutsche said that it was owed DM1.2bn in respect of eight of the group's 85 property developments in Germany. It said that its loans were well secured by mortgages against individual properties.

Technoteam Bauconsult AG, a construction company, yesterday became the second company within the Schneider group to file for bankruptcy.

# Kidder fires top trader

Continued from Page 1

to convert the government strips *he held back into regular bonds* at a later date. However, each time the forward contracts were due to be settled, Mr Jett allegedly kept renewing them.

By doing so, he was apparently able to fool Kidder's computerised trading system into thinking that he had made a profit.

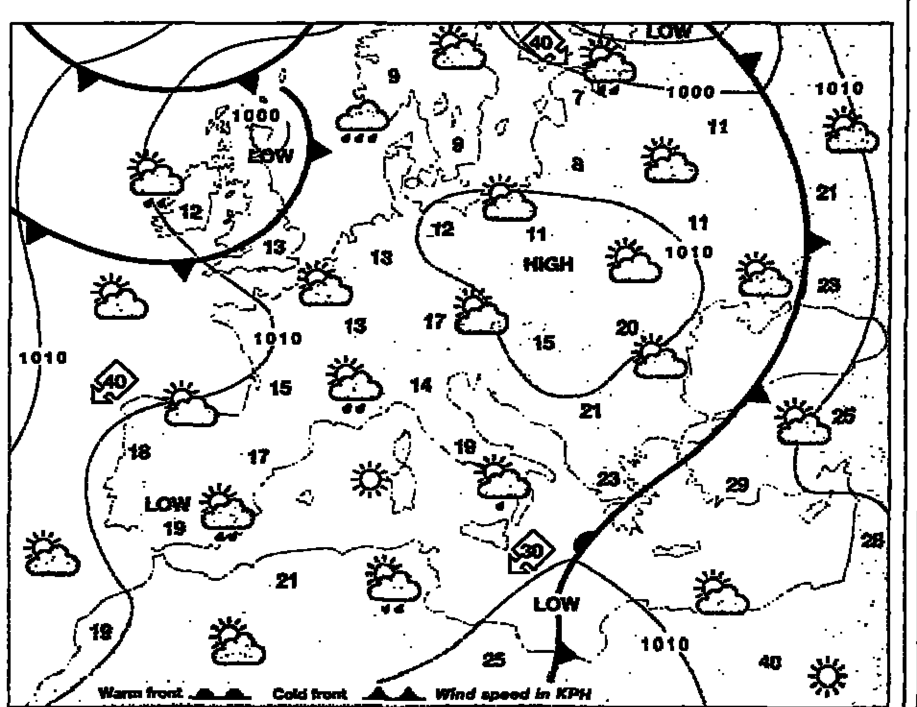
## FT WEATHER GUIDE

### Europe today

High pressure will build over central Europe giving sunny periods from northern Germany to Turkey. Another depression east of Scotland will cause cloud and rain over the British Isles. Cloud will gradually spread eastwards to Denmark, the Benelux and western France, but only Denmark will have some light rain this afternoon. Eastern France and northern Italy will have showers. Portugal and northern and western Spain will have sunny spells. Showers will develop over south-east Spain, southern Italy and Tunesia.

### Five-day forecast

The western Mediterranean will have abundant sunshine tomorrow. Showers developing on Thursday will move north during the weekend. Northern Britain will continue rainy but the rest of north-west Europe will have sunny spells and will become warmer. Germany, the Alps and Poland will have some sunshine, but showers will fall over the Balkans and Italy, especially later this week. Scandinavia will have cloud and sunshine with only an isolated shower.




*Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands*

**TODAY'S TEMPERATURES**

| | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Maximum | | Beijing | fair | 25 | Caracas | fair | 24 | Edinburgh | shower | 11 | Madrid | shower | 15 | Rangoon | fair | 35 |
| | Celsius | | Belfast | shower | 12 | Cardiff | shower | 13 | Faro | shower | 19 | Majorca | fair | 19 | Reykjavik | snow | 3 |
| Abu Dhabi | fair | 32 | Belgrade | shower | 16 | Casablanca | fair | 19 | Frankfurt | fair | 14 | Malta | fair | 18 | Rio | cloudy | 24 |
| Accra | shower | 34 | Berlin | fair | 11 | Chicago | fair | 23 | Geneva | shower | 13 | Manchester | shower | 12 | Rome | fair | 19 |
| Algiers | fair | 19 | Bermuda | fair | 23 | Cologne | fair | 13 | Gibraltar | shower | 18 | Manila | cloudy | 34 | S. Frsco | fair | 18 |
| Amsterdam | cloudy | 12 | Bogota | shower | 18 | D' Salaam | shower | 27 | Glasgow | shower | 11 | Melbourne | rain | 18 | Seoul | cloudy | 19 |
| Athens | fair | 24 | Bombay | sun | 34 | Dakar | sun | 25 | Hamburg | fair | 10 | Mexico City | cloudy | 26 | Singapore | shower | 28 |
| Atlanta | sun | 28 | Brussels | fair | 12 | Dallas | sun | 28 | Helsinki | shower | 5 | Miami | shower | 28 | Stockholm | fair | 9 |
| B. Aires | sun | 14 | Budapest | fair | 13 | Delhi | sun | 32 | Hong Kong | cloudy | 25 | Milan | fair | 16 | Strasbourg | cloudy | 13 |
| B.ham | shower | 13 | C.hagen | shower | 9 | Dubai | fair | 32 | Honolulu | fair | 27 | Montreal | shower | 7 | Sydney | cloudy | 19 |
| Bangkok | cloudy | 38 | Cairo | sun | 37 | Dublin | cloudy | 12 | Istanbul | shower | 20 | Moscow | fair | 12 | Tangier | shower | 18 |
| Barcelona | shower | 16 | Cape Town | cloudy | 17 | Dubrovnik | fair | 19 | Jersey | shower | 9 | Munich | fair | 13 | Tel Aviv | fair | 34 |
| | | | | | | | | | Karachi | fair | 33 | Nairobi | cloudy | 27 | Tokyo | cloudy | 22 |
| | | | | | | | | | Kuwait | sun | 33 | Naples | shower | 19 | Toronto | shower | 13 |
| | | | | | | | | | L. Angeles | sun | 24 | Nassau | fair | 31 | Vancouver | shower | 14 |
| | | | | | | | | | Las Palmas | fair | 21 | New York | rain | 22 | Venice | cloudy | 17 |
| | | | | | | | | | Lima | cloudy | 24 | Nice | shower | 16 | Vienna | cloudy | 13 |
| | | | | | | | | | Lisbon | cloudy | 18 | Nicosia | fair | 32 | Warsaw | shower | 12 |
| | | | | | | | | | London | shower | 13 | Oslo | fair | 9 | Washington | shower | 27 |
| | | | | | | | | | Lux.bourg | fair | 12 | Paris | cloudy | 13 | Wellington | fair | 14 |
| | | | | | | | | | Lyon | shower | 15 | Perth | sun | 33 | Winnipeg | fair | 9 |
| | | | | | | | | | Madeira | cloudy | 19 | Prague | fair | 12 | Zurich | shower | 13 |



## THE LEX COLUMN

# Greenspan's grip

The surprising aspect to yesterday's Federal Reserve tightening was not so much that rates moved up again. Rather it was the timing. Since the latest data on capacity use, inflation and employment did not suggest any immediate urgency, the markets cannot look to economic indicators for any short-run indication of the Fed's intentions. Instead, the Fed simply appears to be moving quickly to the neutral stance for which Mr Alan Greenspan originally said he was aiming.

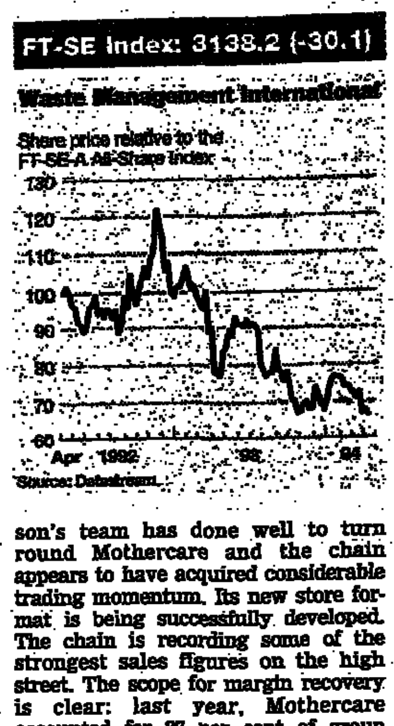
Further rises in the federal funds rate therefore loom, probably accompanied next time by a discount rate tightening as well. But the markets cannot predict when. Nor do they yet know exactly what constitutes a neutral stance. The best guess is that it means a federal funds rate of over 4 per cent and probably closer to 5. The uncertainty is a burden for equity and bond markets alike even though there is no particular reason for the latter to worry. A long bond yield of nearly 7.5 per cent amply discounts a federal funds rate of 5 per cent. The equity market must worry that higher interest rates will both slow down the recovery and cause the flow of mutual fund money to dry up.

That liquidity concern extends to international markets too. On the basis of yesterday's performance, European bond markets have signally failed to decouple from the US trend. They are unlikely to do so as long as exchange markets expect that rising US interest rates will eventually push *the dollar higher. Ironically,* yesterday's Fed action left the dollar virtually unmoved. Perhaps markets everywhere would calm down sooner if the Fed moved in bigger stages. This is one occasion where it is better to arrive than to travel fearfully.

### Storehouse

Storehouse's chairman had some choice criticisms to make when Mr David Dworkin resigned as chief executive after just six months in the job. Sadly, his strictures appear to have fallen on deaf ears. Storehouse's revolving door continues to whirl around with Ms Ann Iverson, chief executive of Mothercare, being the latest to whoosh out. She, at least, will have had the tenacity to do her job for two years. But her departure makes a mockery of the company's watchword of stability and knocked 5 per cent off the shares.

That may seem excessive. Ms Iver-




son's team has done well to turn round Mothercare and the chain appears to have acquired considerable trading momentum. Its new store format is being successfully developed. The chain is recording some of the strongest sales figures on the high street. The scope for margin recovery is clear: last year, Mothercare accounted for 27 per cent of group sales but just 10 per cent of profits.

Even so, the market is understandably averse to companies which have such a dismal record of retaining staff. The remaining executive directors boast less than three years' board experience between them. That is alarming when consistency is such a vital ingredient of retailing success. *Storehouse suggests that while Ms* Iverson's loss is disappointing, it will be no great blow to Mothercare's recovery. If so, one wonders why Storehouse feels it necessary to reward its directors so lavishly.

### Oil shares

The oil share bulls are in the ascendant. The big UK integrated houses, Shell and BP, have each outperformed the market by nearly 10 per cent this month. Although both fell yesterday, that was only in line with the market's overall decline. The immediate cause is the rise in crude prices, up from $13.50 at the end of March to over $15 now. OPEC's failure to cut production quotas, which prompted the earlier dive in oil prices, does not look so bad on reflection. Given that most cartel members are operating at near full capacity, there is less scope for cheating than in the past. Meanwhile, economic recovery in much of the industrialised world is fuelling demand. It has also helped boost petrochemical prices and refining margins.

But the oil price is not the only factor driving shares in the longer term. Determined moves to cut costs and redeploy assets have played an important part. This has been most apparent at BP, whose need to put its house in order was greater than Shell's. Its management is no longer content to rely on higher crude prices to deliver its profit targets. Shell's incentive to restructure is not so pressing. But with its massive investment programme and a return on capital still below the best of its US peers, it too needs to deliver productivity growth.

Oil prices could still spring some nasty surprises. The main risks are that news of breaches in OPEC ceilings or of increased stockbuilding will provoke wobbles. But medium-term prospects look good.

### Waste Management

Waste Management International has been steadily de-rated since international investors were offered stock in 1992. Following yesterday's slide in response to mildly disappointing first-quarter figures – the shares stand on a multiple of 20 times 1993 earnings. The historic multiple at flotation was over 30 times. Recession in Europe is to blame for the pedestrian progress since then. The question is whether WMI is now cheap enough to tempt the UK investment institutions which shunned the original offer.

The company has fared better in recession than most of its peers. If it can prove that yesterday's figures were indeed the result of fluke weather and currency movements, the rating looks fair. Gearing of around 200 per cent following last year's acquisition binge is a reason for caution. Under US accounting principles gearing looks less threatening. But if WMI alights on a substantial acquisition, it might still take the opportunity to raise fresh equity.

Besides, the fall from grace of WMX Technologies, the US parent which owns a controlling interest, has been far more severe than that of its international offspring. An equity issue through WMI might look like relatively cheap funding in the context of the wider group. If the free float of shares was increased in the process, WMI could also find a place in the FT-SE 100 index. UK fund managers might then sit up and take note.

FINANCIAL TIMES
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IN BRIEF

## Montedison sues Price Waterhouse

Montedison, the Italian industrial company, is claiming damages of more than L1,000bn ($609m) from Price Waterhouse Italy, part of the international accountancy group, alleging "serious negligence". Page 18

**Bank of Montreal expands into Chicago**
Bank of Montreal has begun a long-planned expansion into the rapidly consolidating Chicago banking market with the purchase of Suburban Bancorp. Page 19

**McDonnell Douglas drops**
McDonnell Douglas, the US defence and aerospace group, reported a 38 per cent drop in first-quarter net income, due to unusual gains a year ago. Page 20

**Australian wine group to float**
Australia's rapidly-expanding quoted wine sector is to gain another entrant with the flotation of Simeon Wines, the country's largest supplier of contract wine and grape juice and incorporating the Buronga Hill winery in New South Wales. Page 21

**Morgan Crucible ends on a high note**
Morgan Crucible, the UK speciality materials group, reported an 8 per cent increase in pre-tax profits after a strong final quarter. Page 23

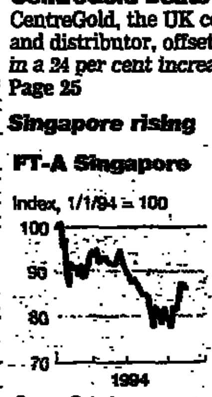
**Johnson Fry hit by restructuring**
Johnson Fry, the UK financial services and investment group, incurred a pre-tax loss of £12.5m ($18.5m) in 1993 due to the impact of asset sales and a radical restructuring. Page 23

**Reuters ends expensive run**
Shares in Reuters Holdings, the news and financial information group, closed yesterday at 484p, their first day of trading after a 4-for-1 share split. The move ended Reuters run as the most expensive single share in the FT-SE 100 index. Page 24

**Waste Management rises**
Waste Management International, the UK-based environmental services group, saw first-quarter pre-tax profits rise 12.4 per cent despite northern Europe's slowness in recovering from recession. Page 25

**CentreGold beats margin pressures**
CentreGold, the UK computer games publisher and distributor, offset margin pressures and turned in a 34 per cent increase in interim pre-tax profits. Page 25

**Singapore rising**



Source: Datastream

Asian markets, largely neglected after the surge to their January peaks, returned to focus last week with sharp rises recorded in Kuala Lumpur and Singapore. The advance resulted from renewed demand from Japanese funds for some of the regional markets. Tokyo displayed some nerves at the start of last week. Back Page

**Companies in this issue**



**Chief price changes yesterday**

| FRANKFURT (DM) | | | | PARIS (FFr) | | | |
|---|---|---|---|---|---|---|---|
| Rises | | | | Rises | | | |
| BMW | 878 | + | 16 | Bancaire Cie | 574 | + | 11 |
| KW | 564 | + | 11.5 | Interbail | 514 | + | 11 |
| Deutsche Babcock | 279.5 | + | 11.5 | Saint Gobain | 718 | + | 13 |
| Kaufhof | 527 | + | 18.6 | Unibail | 641 | + | 18 |
| Volkswagen | 539.5 | + | 20 | Falls | | | |
| Falls | | | | AGF | 552 | – | 12 |
| Anleges Berlin | 389 | – | 11 | Legrand | 6430 | – | 110 |

| NEW YORK ($) | | | | TOKYO (Yen) | | | |
|---|---|---|---|---|---|---|---|
| Rises | | | | Rises | | | |
| Micron Tech | 85⅝ | + | 2½ | Kawasaki Steel | 385 | + | 10 |
| Falls | | | | Mitsui Marine | 858 | + | 18 |
| Alcoa | 46 | – | 1 | Nippon Steel | 360 | + | 10 |
| Allied Signal | 34⅛ | – | 1⅛ | Obayashi | 697 | + | 15 |
| Digital Equip | 21⅛ | – | 1½ | Falls | | | |
| Gen Electric | 95⅝ | – | 1⅝ | Showa Shell | 1410 | – | 20 |
| Microsoft | 82⅝ | – | 2¼ | Teikoku Oil | 730 | – | 19 |

New York prices at 12.30.

| LONDON (Pence) | | | | | | | |
|---|---|---|---|---|---|---|---|
| Rises | | | | Falls | | | |
| Yorkshire Metal | 90 | + | 7 | Budgens | 29 | – | 5 |
| Attic | 107 | + | 5 | Cupid | 18 | – | 3 |
| Autrace | 135 | + | 7 | Falcon Hldgs | 125 | – | 9 |
| Britannia | 53 | + | 3 | Fisons | 149 | – | 7 |
| Eidos | 86 | + | 4 | Johnson Fry | 283 | – | 15 |
| Exalt | 138 | + | 6 | Low (Wm) | 138 | – | 7 |
| Innocell | 70 | + | 6 | Oceana Cons | 163 | – | 15 |
| Linton Park | 360 | + | 22 | Rodime | 11 | – | 4 |
| Nationalink | 412 | + | 17 | Storehouse | 218 | – | 11 |
| Renwick | 29 | + | 3½ | Tottenham Hspr | 76 | – | 4 |
| Norcor | 123 | + | 9 | WEW | 43 | – | 5 |
| Regina | 243 | + | 10 | | | | |
| Young (H) | 84 | + | 7 | | | | |

# Merrill Lynch avoids trading slide

By Richard Waters in New York

The upheaval in financial markets in recent weeks failed to dent the trading profits of US financial institutions Merrill Lynch and Chase Manhattan.

Other US banks, though, have already reported sharp falls in trading income in the period, mainly because of tumbling prices in the emerging securities markets.

Merrill Lynch maintained its trading income at $667m in the first three months of the year, a similar level to the fourth quarter of 1994, though down 12 per cent from the record $761m reported in the first three months of 1993.

Mr Joseph Willett, chief financial officer, said the result reflected the fact that Merrill relied on orders from customers for much of its trading income and hedged most of its positions.

The firm also benefited from its broad range of trading activities, with higher profits in some areas offsetting declines in others.

Merrill suffered a "modest loss" during the quarter in trading emerging market debt, he said.

Chase Manhattan sold off much of its holdings of emerging market debt early in the year, avoiding the worst of the blood bath in these markets after the Federal Reserve started to raise interest rates on February 4.

Yesterday, the bank reported trading income of $179m, in line with the $175m of a year before.

Mr Michel Kruse, chief financial officer, said losses made on trading such debt since the middle of February had been more than offset by profits made in disposing of positions before this.

"It was a very tricky environment, particularly in the second half of the quarter," he added.

Last week, First Chicago said it lost $54m on emerging market securities in the first quarter, leading it to report an overall trading loss of $25m in the period.

JP Morgan, thought to be the biggest trader of emerging market debt, reported trading revenues of $356m, down from $469m a year before. In the previous quarter, emerging market debt trading had boosted its revenues to $606m.

Mr Willett added that hedges used by Merrill to reduce the risk from its trading positions had held up relatively well during the period.

However, widening yield spreads on corporate, emerging market and non-dollar debt instruments meant that "hedges will not be perfect".

Chase and NationsBank, Page 18; Merrill Lynch, Page 19

# BAT may increase stake in Indian arm

By Stefan Wagstyl in Calcutta and Tony Jackson in London

BAT Industries, the tobacco and insurance group, is considering raising its stake in ITC, its Indian affiliate, in a move which has raised protests at ITC. BAT has also proposed focusing ITC's activities around BAT's own core areas of tobacco and financial services.

The plans could provoke controversy in India, where multinational groups are often viewed with suspicion. ITC, which is one of India's largest companies with a market value of about $2.9bn, has interests in hotels, paper and edible oils as well as tobacco and financial services.

Mr Seroze Vevaina, ITC's deputy chairman, said that discussions between BAT and ITC were at a delicate stage. A senior ITC executive said: "If our big shareholder came and said we want you to be a little tobacco company now, that would deflate morale here."

BAT, which has a 31.5 per cent stake in ITC and nominates two directors to the 13-member board, exercised little control until the Indian government liberalised foreign investment rules in 1991. Companies which have recently re-established control under the new regime include Cadbury of the UK and Colgate Palmolive of the US.

Mr Vevaina said: "BAT are interested in raising their stake. And they are interested in tobacco and financial services. What we need is a modus vivendi where we can help them grow their interests, and grow away from them in areas where they have less interest."

BAT said it was "not dogmatic" about being restricted to tobacco and financial services. "But if we had a higher shareholding, the board would take a lot of convincing that we should make further investments outside those areas." The companies are working on plans which would allow BAT to take substantial stakes in ITC's tobacco and financial services without having to invest in the hotels and other businesses. This could involve splitting ITC.

The Indian government is not expected to object to such restructuring, but will keep a close eye on the price at which BAT increases its stake. Several foreign groups have bought shares in affiliates at discounts of up to 90 per cent of stock market prices, prompting claims of unfair practices.

Ciba and Sandoz forecast profits growth despite 3% fall in pharmaceuticals sales

# Swiss drugs groups feel price squeeze

By Ian Rodger in Basle

Ciba and Sandoz, two of the three big Basle-based pharmaceutical and chemical groups, provided new evidence yesterday of the squeeze on drugs prices in industrialised countries. Both groups said pharmaceuticals sales fell 3 per cent in the first quarter: Ciba's to SFr1.4bn and Sandoz's to SFr1.5bn.

Roche, the other big Basle group, has shown a greater immunity to drug price cuts by reporting last week a 10 per cent rise in first quarter pharmaceuticals sales to SFr2.09bn.

Mr Marc Moret, Sandoz chairman, devoted his statement in the group's 1993 annual report, published yesterday, to the drugs price issue. He argued that many drugs played an important role in cutting healthcare costs and denounced moves by governments to cut prices. "The pharmaceutical industry is fighting disease, not exploiting it."

In spite of the squeeze, Sandoz and Ciba both forecast further profits growth this year. "I would be surprised if we were not able, as in the past three years, to raise our profits steadily," Mr Moret said. Another Sandoz director emphasised that double-digit profit increases had been achieved in each of the past three years. Sandoz also forecast a 5 to 8 per cent rise in overall sales this year after last year's 5 per cent advance to SFr15.1bn. Ciba expected an increase in operating profit this year.

Both groups said their weak overall sales performance in the first quarter was due partly to the strength of the Swiss franc. In the quarter Sandoz's overall sales rose 1 per cent to SFr4.27bn while those of Ciba fell 2 per cent to SFr5.58bn.

Ciba's self-medication, diagnostics and Ciba Vision divisions showed modest growth while sales in Sandoz's nutrition sector, led by Ovaltine and Isostar, jumped 25 per cent to SFr558m.

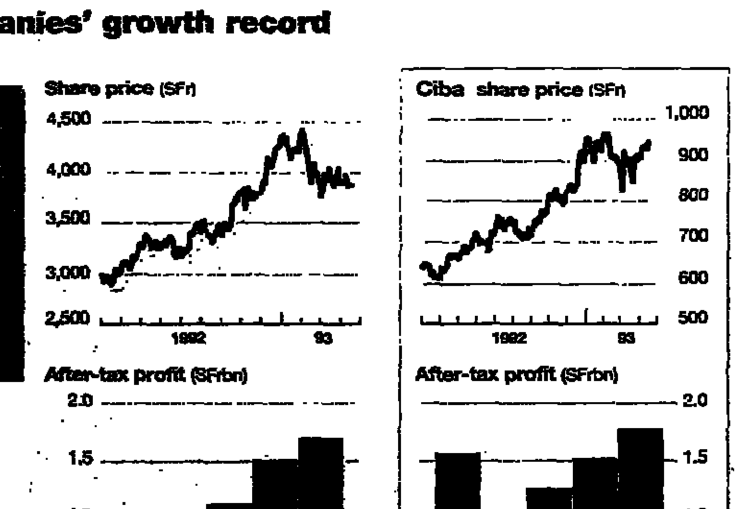
Ciba's industrial chemicals sales fell 3 per cent to SFr2.1bn. The group said demand remained weak, except in the US, but an upturn in orders from the UK, France, Spain and Italy had become apparent.

Sales in Sandoz's chemical and environment businesses, which include agricultural chemicals, rose 1 per cent to SFr1.4bn.

Last month Sandoz reported consolidated net income up 14 per cent in 1993 to SFr1.7bn, while at Ciba post-tax profits rose 11.2 per cent to SFr1.78bn. Roche publishes its 1993 results today.

**The two companies' growth record**


Dr Marc Moret
Sandoz's chairman and chief executive



Source: Extel, Datastream

# Three domestic banks will bid for Banesto

By Tom Burns in Madrid

The field to take over Banesto, the failed Spanish financial group which is to be auctioned next month, narrowed yesterday to three of the largest domestic banks: Argentaria, the government-controlled banking corporation; Banco Bilbao Vizcaya (BBV); and Banco Santander.

The purchaser will become by far the largest financial institution in Spain and a leading European banking group.

The three informed the Deposit Guarantee Fund, the banking agency managing the Banesto auction, that they planned to make individual bids for the financial group. The result will be known by May 9.

At the same time the Banco Popular, fourth domestic banking group, pointed to the dangers of a Banesto acquisition.

Popular, which like its rival banks had examined the Banesto offer document, said it would not bid because of the "truncated" and "opaque" nature of Banesto's business. It added there was an "excessive artificiality" in Banesto accounting procedures and commented on the "bad quality of its doubtful assets" and "the problematic evolution" of its future results.

Popular, which is 54 per cent-owned by foreign institutions, said while a Banesto acquisition "could be a normal risk for our colleagues, it represents a high risk for us". The bank said that when it reviewed a possible bid for Banesto, it had discussed selling Banesto's industrial assets to Hanson, the UK-based conglomerate, and Hanson had shown no interest.

Banesto was Spain's fourth largest banking group when the Bank of Spain intervened last year after an inspection discovered it had grossly over-valued its assets.

A subsequent audit established Banesto had financing needs of Pta605bn ($4.3bn), a sum partly met by the transfer of the bank's entire reserves to provisions and partly by a Pta180bn recapitalisation.

The three potential buyers of Banesto have until April 25 to bid for the equity in the bank that is currently held by the Deposit Guarantee Fund as a result of the rescue plan. The fund's shareholding represents 73 per cent of Banesto's reconstituted capital and under the terms of the auction the buyer bank must maintain at least 30 per cent of this equity over four years.

**Tracy Corrigan and Patrick Harverson** explain the dangers highlighted by the Kidder affair

# When people prove to be a costly liability

Investment banks, particularly those with a strong bias towards trading, are often fond of saying that their greatest assets are their people. The $350m pre-tax charge taken by Kidder Peabody in the first quarter, as a result of a phantom trading scheme devised by its head government bond trader, demonstrates that people can also be a liability.

Risk management has become a buzz word among financial institutions, many of which now have global heads of risk management or risk control.

Sometimes, the human factor may be all but forgotten, as highly sophisticated systems are set up to deal with the complex financial instruments which increasingly dominate trading activities. "Fundamentally, banks are most exposed to their people," said one treasury consultant. "You can invest a lot of money in computers and software but you also have to find some degree of deterence: that is achieved if people know they will be regularly audited."

Traders at other Wall Street firms were puzzled as to how Mr Joseph Jett, managing director in charge of Kidder's government bond trading desk, was able to fake profits without being caught by the firm's internal accounting procedures. "We get our P&L [profit and loss statement] from a separate department, so there are checks and balances," said one trader at a prominent investment bank.

Yet, senior Wall Street executives point out that if an experienced professional running a complex and fast-moving securities trading desk wants to mislead the firm about his activities, it is not easy to stop him. As Mr Michael Carpenter, Kidder's chief executive, told reporters: "When somebody is trying to obfuscate the systems for a deliberate purpose, it's hard to always be protected against these things."

Kidder is not alone on Wall Street in having suffered at the hands of a "rogue" trader. Three years ago, Salomon Brothers had to pay hundreds of millions of dollars in fines and compensation after the head of its bond trading desk was found to have faked customer bids in auctions of Treasury securities.

The main dangers for a bank are that a trader may try to book false transactions or use inflated valuations for genuine trades – either to inflate profits or to try to cover up losses.

To guard against phantom trades, banks should have "an independent confirmation function, where the back office (which settles trades) has a system of obtaining direct confirmation with the purported counterparty", says Mr John Hitchins, a partner in the capital markets group at Price Waterhouse. This is standard practice in the foreign exchange market, as most big banks automatically confirm through Swift.

To stop dealers from fiddling valuations, the back office also needs to have independent ability to value positions. This involves taking prices from external feeds and having their own models for calculating positions.

In an attempt to bridge the growing gap between back office and increasingly complex trading activities, some banks have created a new function which they call the "middle office".

"They have an appreciation of the markets but also come from an accounting culture," explains Mr John Tiner, head of financial markets at Arthur Andersen in London. "Their job is often to recalculate the daily marking-to-market in order to compare traders' records and accounting records." Kidder admitted that it did not have such a function.

According to consultants and senior bankers, the separation of front and back office is virtually universal. The result is that "it is almost impossible for fraud to be conducted by one individual", said one consultant. "If you have a fake trade you need to have a fake settlement. Otherwise, the scam should show up pretty quickly. The problem occurs where you have collusion, particularly between front and back office."

Another consultant described it as folly to underestimate the ingenuity of people who want to defraud, once they have been working on a particular system. He pointed out that traders, who are trained to look out for and exploit the inefficiencies of markets, may take the same approach towards the systems designed to check them.

It does seem that in the case of Mr Jett, who earned $9m last year, the risk/reward ratio so dear to traders was just not there.

But perhaps banks should brace themselves for further attempts. After earning record bonuses last year, many traders will face massive falls in earnings in this year's bear market conditions.

# Accountants sued for L1,000bn

By Andrew Hill in Milan

Montedison, the Italian industrial company, is claiming damages of more than L1,000bn ($611m) from Price Waterhouse Italy, part of the international accountancy group, alleging "serious negligence".

Sources at Montedison, which is the principal subsidiary of the Ferruzzi Finanziaria holding company, confirmed yesterday that a writ had been served on Price Waterhouse Italy.

Montedison's new management alleges that the company breached international auditing and accounting standards between 1983 and 1992, when it was Montedison's auditor.

The first hearing in the case should take place in Milan on May 24.

Price Waterhouse Italy said yesterday it would "vigorously defend itself" against the writ.

In a statement, the company said Montedison's claim was "based on the mistaken assumption that it is the auditors, not the previous management [of Montedison], who were responsible for the deliberate and systematic fraud now known to have been conducted at the highest levels of management".

The writ had been expected since November last year, when shareholders in Ferruzzi Finanziaria (Ferfin) voted to proceed with legal action against Price Waterhouse Italy.

However, the scale of the Montedison claim was not known until yesterday's leaks from the Milan court.

Nor was it known that the writ would relate to the period before 1987, when Montedison was taken over by the Ferruzzi commodities group, then headed by Mr Raul Gardini, who committed suicide last year.

Price Waterhouse Italy has already lodged counter-claims in the Milan court, alleging that the former directors of Montedison are "liable ... for deliberate fraudulent conduct intended to frustrate normal auditing procedures" and claiming compensation for the damage to its reputation.

In August last year, Consob, the Milan-based companies and stock market watchdog, refused to renew the firm's authorisation to audit Ferfin's books.

Part of the Montedison claim relates to the long-running "Enimont affair", relating to claims that bribes were paid to senior Italian politicians to smooth the way for the abortive 1989–90 merger between the chemicals interests of Eni, the state oil concern, and assets of Montedison.

# Budgens plan above costings

By Andrew Bolger in London

A plan backed by Rewe, one of Germany's largest food retailers, to open discount stores in the south-east of England has proved more expensive than anticipated.

Rewe has a 29 per cent stake in Budgens, the small UK retailing chain which yesterday said the conversion of nine of its stores to Rewe's Penny Market format had exceeded costings.

Shares in the UK group fell by 5p to 29p after it warned trading profits from the 89 stores operating the traditional format were likely to be 15 per cent lower than the previous year.

However, Mr Christian Williams, executive director of Budgens, said the group was sticking by its plans to open 40 discount food stores in the south-east over two years.

Budgens said it had originally estimated the nine stores could be converted for about £600,000 ($876,000.)

# Schneider summoned by Treuhand over payments

By Judy Dempsey in Berlin

The Treuhand, the eastern Germany privatisation agency, had summoned Mr Jürgen Schneider, the head of the collapsed construction group that bears his name, to a meeting in Berlin tomorrow. He faces question over why he was behind in payments for seven properties bought from the Treuhand.

Mr Schneider, who fled Germany shortly before the collapse last week, and is now missing, had already been sent several letters by the Trueband seeking clarification on why he was not keeping up with interest payments. There were also inquiries into delays in paying for other properties acquired from the agency.

The properties, employing over 2,000 workers, include enterprises and real estate, all in Leipzig, with the exception of a purchase in Dresden. Mr Schneider bought these properties from the Treuhand's Leipzig branch between mid-1991 and December 1993.

The Treuhand says it is owed DM53m ($30.9m). Yesterday it passed the case on to the Leipzig and Frankfurt prosecutors. It would not comment on why it had not taken action earlier, given Mr Schneider's repeated delays in paying for, or meeting, interest rates.

On November 16, 1992, the Frankfurt developer bought the Thomaskirche Hof, a prestigious site in Leipzig. But he did not pay until March 17 this year. The Treuhand is now owed more than DM1.3m in interest payments.

Even before that purchase, the Leipzig branch sold properties to Mr Schneider, with similar problems over delay in payments. On August 1, 1991, he bought Bergwerk Eigenturm Kieswerk, a gravel company. Last week, the Treuhand was still owed DM1.3m in outstanding payments, plus DM340,000 in interest payments, in connection with the deal.

The Bau und Planung Gesellschaft Leipzig, a construction company, was sold to Mr Schneider in November 1991 for DM42m. The Treuhand is owed DM7.3m in interest. A further DM437,000 in interest payments is owned from October 8, 1991, when Mr Schneider bought Gastronomie-Service, a food distribution business in Leipzig. Interest payments exceeding DM350,000 are outstanding for Unwelt-Technik Luftreinhaltung, an air cleaning business.

# Alcatel plan to buy into Stet opposed

By John Ridding in Paris

Alcatel Alsthom's ambitions to participate in the privatisation of Stet, the Italian telecommunications group, were dealt a blow yesterday when Mr Romano Prodi, chairman of IRI, the Italian state holding company, said he opposed a significant role for the French group.

Mr Prodi, whose company has a 52 per cent shareholding in Stet, said he did not see why Alcatel should be at the controls of Stet "while we don't have the same rights in France".

Mr Prodi said he was also against mixing the manufacturers of telecommunications equipment with service operators, and indicated his opposition to privatising Stet through the formation of a group of core shareholders.

Alcatel Alsthom has said that it wants to participate in the privatisation of Stet through a partnership with Pirelli, the Italian tyres and cables group.

Mr Pierre Suard, chairman of the French energy, telecoms and transport group, said he was ready to participate in the privatisation of Stet, linking industry groups, with Italian majority control. He said any decisions needed to await clarification of the process for the privatisation, expected by the end of the year.

# Insurance side boosts Worms

By Alice Rawsthorn in Paris

Worms, the French holding company, last year saw net profits rise by 25 per cent to FFr714m ($122.46m), from FFr571m in 1992, due mainly to a strong performance from its insurance interests.

Mr Nicholas Clive-Worms, chairman, said that the group had performed fairly well last year and that, as it was in a net cash position, Worms was considering plans for expansion.

He identified one of the likeliest areas for investment as insurance, where it may add to its Athena Assurances business.

Athena last year performed well and increased its contribution to group net profits by 26 per cent. The contribution from Demachy Worms, the bank, rose by 8.2 per cent to FFr79m from FFr73m.

Worms also benefited from the capital gains yielded by last year's sale of its interest in Financière Truffaut, the luxury goods conglomerate, to Mr Bernard Arnault, the chairman of the LVMH luxury goods group.

By contrast, Compagnie Nationale de Navigation, the shipping subsidiary, made a net loss of FFr78m in 1993.

The Arc Union property company stayed in the red: albeit with a reduced loss of FFr115m against FFr252m in 1992.

The contribution from Saint-Louis, the French food group which last week merged its prepared meals business with that of BSN, slipped by 4 per cent.

Earnings per share rose to FFr21.70 in 1993 from FFr17.35 in 1992. The board has proposed an increase in the net dividend to FFr7.50 from FFr7.00 over the same period.

# Pinault warned over La Redoute takeover

By Alice Rawsthorn

Pinault-Printemps, the French retail group, has received a formal warning from the Paris stock market authorities over the terms of its all-share offer to buy out the minority shareholders in La Redoute, its mail order subsidiary.

The Commission des Opérations de Bourse (COB) announced that it had concluded after an investigation that the takeover offer was not fairly valued in terms of its relation to La Redoute's share price.

Pinault-Printemps came under fire three years ago from minority shareholders over the terms of the Pinault group's takeover of the Au Printemps retail chain.

It is extremely unusual for the COB to issue a warning to a company over the terms of a transaction. The last time that it did so was in the controversial takeover of the Yves Saint-Laurent fashion house by the Elf-Sanofi pharmaceuticals group.

However, the COB is not empowered to force Pinault-Printemps to change the terms of the deal as it has no authority to do so in the case of the takeover of an existing subsidiary.

# Rights issue from Avesta

By Christopher Brown-Humes in Stockholm

Avesta Sheffield, the Swedish-British stainless steel producer, yesterday approved a SKr592.5m ($75m) one-for-seven rights issue to back an aggressive investment programme and lift profits.

The company plans to spend more than SKr1bn over the next three years, aiming to raise profits by SKr600m a year by 1997. Last year it cut losses after financial items to SKr98m from SKr574m in 1992.

The largest investments include upgrading the company's melting shops in Avesta and Sheffield.

# Storehouse chief leaves for US post

By Neil Buckley in London

Storehouse, the UK retail group, saw its shares fall 11p to 218p yesterday after it announced that Mothercare chief executive Ms Ann Iverson was leaving to join Melville, one of the largest diversified retailers in the US.

The resignation of Ms Iverson, who developed a "fun" store concept including talking trees and singing clocks to revitalise Mothercare, is a blow for Storehouse, which also owns the BHS clothing chain. It comes little more than a year after the departure of Mr David Dworkin, the American chief executive credited with turning the group around, who recruited Ms Iverson from the US.

Mr Dworkin quit in February 1993 to become chief executive of Carter Hawley Hale, the US department store group.

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# Chase profit tops expectations

By Richard Waters in New York

After-tax earnings at Chase Manhattan comfortably exceeded market expectations during the first quarter as the bank recorded profits on a series of asset disposals.

First-quarter net income was more than double the $153m, or 74 cents a share, recorded in the first period of 1993.

The disposals, which included real estate assets, loans to developing countries and so-called "Brady bonds", helped push net earnings for the period to $364m, or $1.80 a share, against market expectations of around $1.15 a share.

Trading revenues, at $179m, against $175m a year earlier, were boosted by the sale of loans made to countries which had not reached a debt restructuring agreement, mainly Brazil.

"Several hundred million" dollars of these loans had been switched into the bank's trading account at the end of last year, said Mr Michel Kruse, chief financial officer. Most disposals were made in the first weeks of the year, before prices on such loans traded in the secondary market fell.

The bank also recorded a $53m profit from selling real estate assets held in its accelerated disposition portfolio. These sales also reduced the carrying value of remaining assets in the portfolio to $131m.

A further $79m gain came from selling investment securities, up from $8m a year before, as Chase disposed of Brady bonds, securities issued by developing countries which have reached debt restructuring agreements with their foreign bank creditors.

# NationsBank maintains margin

Recent increases in US interest rates failed to dent first-quarter net interest income of NationsBank, enabling the North Carolina-based commercial bank to report stronger than expected earnings, writes Richard Waters.

The net interest margin on NationsBank's underlying loans business was maintained at 4.16 per cent, identical to the year before, despite increases in money market interest rates.

US banks increased their prime lending rates – the rates on which loans to many customers are based – by only a quarter of a percentage point at the end of March, lagging the half-point rise in money market rates engineered by the Federal Reserve during the first three months of the year.

Yesterday's quarter-point rise in money market interest rates threatens to eat further into banks' interest margins, which have stood at historically high levels in recent quarters.

However, Banc One said yesterday it was boosting its prime lending rate by half a percentage point to 6.75 per cent, having raised it from 6 per cent at the end of March.

Including the lower-yielding trading assets of Chicago Research and Trading, a derivatives company acquired last year, the net interest margin at NationsBank as a whole was 3.89 per cent.

# Merrill Lynch posts record profit

**By Patrick Harverson in New York**

Merrill Lynch, the biggest US securities house, yesterday reported a 21 per cent improvement in first-quarter profits, to a record $372m, or $1.68 a share.

The firm maintained its profits growth in spite of recent increases in interest rates, which have cut into trading profits at all Wall Street firms. It attributed its resistance to the less favourable interest-rate environment primarily to big increases in brokerage commissions and asset management fee income.

Commissions rose 20 per cent in the quarter, to $868m, reflecting increased investor activity in financial markets. Asset management and portfolio service fees climbed 23 per cent to $444m, as client assets under management at Merrill Lynch grew 13 per cent to stand at $164bn by the end of March.

Elsewhere, the earnings picture was not as bright. Revenues from principal transactions – when the firm trades securities for itself and its customers – fell 12 per cent to $667m.

Merrill said that although revenues from trading in swaps, equity derivatives, equities, commodities and mortgage-backed securities were up over the three months, higher interest rates led to lower revenues from the trading of corporate debt, municipal securities, money market instruments and non-US government and agency securities.

Investment banking revenues were much the same as a year ago, at $144m, as higher advisory fees offset lower underwriting earnings.

Other revenues – primarily investment gains – rose 72 per cent to $116m.

On the cost side, Merrill's non-interest expenses climbed 8 per cent to $2.2bn, reflecting the rise in employee compensation payments, which are tied to the company's earnings.

Yesterday's results had little impact on the share price, which eased $¼ to $35½ on the New York Stock Exchange.

# PanCan lifts spending on exploration

**By Robert Gibbens in Montreal**

The Canadian Pacific group's most profitable subsidiary, PanCanadian Petroleum, will spend a record C$725m (US$523m) on exploration and development this year, including C$600m in western Canada, said Mr David O'Brien, president.

The emphasis is on finding more natural gas. PanCanadian holds the biggest land base for exploration in western Canada.

Mr O'Brien said although the company's debt level was low, PanCanadian preferred to grow internally because of the high cost of acquisitions.

PanCanadian is reducing its investment in a joint venture oil project in Russia because production was not profitable.

The blended price available for Russian crude was about US$13 a barrel, well below the current world price for conventional oil, said Mr O'Brien.

PanCanadian's total oil production rose 30 per cent in 1993 and gas output was up 20 per cent. In the first quarter this year oil output rose 20 per cent while gas was little changed. PanCanadian expects to report first-quarter profit of more than C$50m, well up from a year earlier.

# Emerging markets help Coca-Cola to 18% rise

**By Frank McGurty in New York**

Coca-Cola yesterday said an "exceptional" performance in emerging markets helped it achieve an 18 per cent increase in net earnings in the first quarter.

The results suggest the US company is regathering pace after several years of lacklustre growth.

The world's largest soft-drink company said strong sales in Poland and China, as well as in such "leading edge markets" as Mexico and Australia, offset soft market conditions in the European Union and Japan.

For the first three months of the year, the company posted net income of $521m, or 40 cents a share, against $442m, or 35 cents, in the corresponding period of 1993.

Net operating revenues advanced 10 per cent to $3.35bn, compared with $3.05bn a year earlier. The improvement was struck on a 7 per cent worldwide gain in unit case volume, exceeding the company's projections.

The results overseas were particularly impressive in view of continuing economic weakness in many important markets. International unit case volume climbed by more than 6 per cent, due largely to a 33 per cent rise in north-east Europe and in the Middle East.

By contrast, growth in the EU was an anaemic 2 per cent, with a 3 per cent decline in the UK. In Japan, unit volume inched 1 per cent ahead.

The importance of the overseas markets, which account for 80 per cent of Coca-Cola's revenues, was underlined by its performance in India, where the company began operating at the end of last year for the first time since 1977. In the first quarter, it sold 12m cases.

In the US, sales volume jumped by 7 per cent, better than forecasts of around 4 per cent.

The results were a little better than analysts had expected. In early trading on Wall Street, the stock was marked up $⅝ to $39⅞.

# Nabisco finalises takeover

**By John Barham in Buenos Aires**

RJR Nabisco, the US food and tobacco group, has finalised its takeover of EM Terrabusi SA, one of Argentina's biggest food companies, after a long courtship.

Terrabusi recorded sales of $242m last year, a 25 per cent increase over 1992, while its pre-tax profit rose 69 per cent to $12.9m. It holds one-quarter of the big cookie and cracker market and has Argentina's best-selling pasta brand.

Nabisco bought 70 per cent of the company from members of the controlling family. The remainder is still held by the public. Neither side disclosed the value of the transaction, but analysts in Buenos Aires believe Nabisco paid between $245m and $250m.

This was the largest takeover of a private company by a multinational since Argentina embarked on a market-oriented stabilisation programme in 1989.

The last year has seen a surge in acquisitions by companies from the US, Europe, Chile and Brazil. Buyers have focused on the food industry because Argentina is a large, low-cost agricultural producer.

# Abitibi slides deeper into red

**By Bernard Simon**

Abitibi-Price, the world's biggest newsprint producer, continued to post losses in the first quarter. However, it expressed confidence that signs of stronger US consumption would bring an improvement later this year.

The Toronto-based company posted a C$43.9m (US$31.7m) loss from continuing operations, equal to 57 cents a share, up from a loss of C$27.9m, or 40 cents, a year earlier.

However, the latest quarter includes a C$21.6m write-down on a newsprint mill in Manitoba, which the company is handing over to its employees.

Sales rose to C$471.6m from C$454.7m.

Average US newsprint selling prices were 3 per cent lower than in the previous three months, and 6 per cent below the first quarter of 1993. Predictions of an improvement are based on signs of rising newsprint consumption and a sharp fall in customer inventories.

Like other North American newsprint producers, Abitibi announced a reduction in discounts from March 1. It said it had implemented a 7 per cent cut.

Offshore newsprint shipments were 27 per cent higher, and US dollar prices rose by 4 per cent against the previous quarter.

The market for uncoated groundwood papers, Abitibi's other speciality, has been stronger, with sales volumes up 7 per cent over the past year.

Consumption of supercalendered papers, used for advertising flyers and magazines, was especially buoyant.

# Canada bank expands in Chicago

**By Laurie Morse in Chicago and Bernard Simon in Toronto**

Bank of Montreal has begun a long-planned expansion into the rapidly consolidating Chicago banking market with the purchase of Suburban Bancorp.

The deal will merge Suburban, which has US$1.3bn in assets, with Bank of Montreal's Chicago subsidiary, Harris Bancorp, with assets of $13.5bn.

Under the agreement, Bank of Montreal will pay around $246m by exchanging 3.93 of its own shares for each of Suburban's. Based on Friday's closing markets, it will pay $73.08 a share for Suburban, or about 17 times 1994 earnings.

Suburban Bancorp owns 13 community banks in Chicago's suburbs, and the majority of its stock is owned by members of the Gerald Fitzgerald family, which has agreed to the sale.

The acquisition will boost the Chicago profile of Harris Bancorp, which has banks in 42 locations and is the parent of Harris Bank, one of the five largest banks in the city of Chicago.

The deal is the first big acquisition for Harris since the Bank of Montreal a year ago unveiled plans to triple its Chicago subsidiary's earnings and market share within a decade.

It is competing for acquisitions with large expansion-minded regional US banks, which view Chicago as one of the largest and most profitable banking markets in the country.

Bank of Montreal will file a prospectus with the Securities and Exchange Commission in Washington relating to the shares it will issue to pay for the acquisition. A official said yesterday the bank would probably seek a listing on a US stock exchange later this year.

All Canada's six big banks are eager to expand their operations in the US, especially in the corporate market. So far, however, they have been discouraged by the high prices demanded for acquisitions.

# Universal Foods sells subsidiary

Universal Foods of the US is selling its frozen foods business to ConAgra, the diversified foods group, Reuter reports Milwaukee.

The purchase price reflects a premium over book value, but no details were disclosed.

The proposed sale, for cash, of the frozen foods business was a step in Universal's strategic transition to an ingredients company, the company said.

The Universal Frozen Foods division produces frozen potato products for the US and international markets. Division sales in 1993 were $268m.

Universal said it expected to use proceeds from the sale to expand its geographic presence and invest in technology, process improvement and product development.

"Consistent with our long-term goals, we are also aggressively pursuing a number of acquisition possibilities," Mr Guy Osborn, chairman, said.

# INTERNATIONAL COMPANIES AND FINANCE

## McDonnell Douglas down 38% as airliner sales fall

**By Martin Dickson in New York**

McDonnell Douglas, the US defence and aerospace group, yesterday reported a 38 per cent drop in first-quarter net income, due to unusual gains a year ago.

Operating income, however, rose 20 per cent as improved efficiencies and property sales helped offset sharply lower sales of commercial aircraft.

The group, which two years ago was suffering under a heavy debt burden, also reported that stronger-than-expected cash flow of more than $430m had allowed it to cut further its aerospace debt burden, which totalled $1.404bn at the end of March, compared with $1.625bn at the end of December and down 49 per cent from the end of 1992.

The improvement came despite an 18 per cent drop in revenues, to $2.953bn from $3.617bn, the result of a 53 per cent drop in commercial aircraft manufacturing sales.

The group's net earnings for the quarter totalled $134m, or $3.41 a share, compared with $216m, or $5.51 a share in 1993. However, stripping out unusual gains last year totalling $122m, or $3.10 a share, McDonnell group produced a rise of 42 per cent in the net figure.

Mr Herb Lanese, finance director, said he was very comfortable with Wall Street earnings per share forecasts of $12 to $13.50 for the full year, given that the company's weakest quarter was traditionally the first.

The military aircraft business produced operating earnings of $166m, compared with $99m a year ago, largely due to the F/A-18 programme and the C-17, a controversial military cargo aircraft which was profitable in the quarter, compared with break-even last year.

The commercial aircraft side was marginally profitable, with $3m of operating earnings against $12m a year ago, due to reductions in overheads and improvements in productivity.

It delivered only four MD-80 twin jets and three MD-11 tri-jets during the period, down from 11 and nine respectively a year ago.

Mr Lanese said that McDonnell expected twin-jet deliveries in the low 20s and tri-jet deliveries around 20 in 1994, but he thought this would be the low year of the current cycle, with the market improving in 1995 and 1996.

## Eli Lilly forms alliance with Mylan to expand product range

**By Richard Waters in New York**

Eli Lilly has formed an alliance with generic drugs company Mylan in a move which signals a drive by US pharmaceuticals companies to extend the range of products they sell.

Under the exclusive arrangement, Lilly will have the rights to sell Mylan's anti-ulcer compound, Cimetidine, to its own managed care customers.

By filling out the range of drugs it sells, Lilly hopes to strengthen its relationships with managed care organisations, which are becoming the dominant buyers of drugs in the US.

Several drugs companies have also held talks among themselves which could lead to a co-operative agreement to sell each others' products to health maintenance organisations and other managed care customers.

Lilly's move, which drove its share price $1¼ higher to $48⅜, also marks the growing competition in the anti-ulcer market. The multi-billion dollar market is shaping up to become one of the most competitive in the US.

Tagamet, the prescription drug made by SmithKline Beecham, loses its patent shortly, and Mylan's drug is set to become the first generic version to hit the market. At the same time Zantac, the Glaxo drug that is patented until the year 2002, is facing potential competition both from Cimetidine and other generics.

Lilly also yesterday reported a 5 per cent increase in first-quarter sales, to $1.64bn, compared with a year before. Operating income grew by 2 per cent.

However, net income for the period fell as a result of a higher tax rate and a $56m charge related to the recall of some of the company's antibiotics. After-tax profits were $330.7m, or $1.14 a share, down from $362.6m, or $1.27m (before the effect of accounting changes) the year before.

Worldwide pharmaceutical sales grew by 3 per cent.

## Time Warner trims net deficit to $54m

**By Martin Dickson**

Time Warner, the US entertainment group, yesterday reported a first-quarter net loss of $54m, compared with $124m a year ago. It registered a slight rise in operating earnings as strong growth in its film and publishing businesses were partly offset by dips in cable and music.

The group said combined earnings before interest, taxes, depreciation and amortisation (Ebitda), for the group and for Time Warner Entertainment, totalled $639m on revenues of $3.485bn. That compared with earnings of $632m on revenues of $3.277bn a year earlier.

Time Warner Entertainment, a subsidiary grouping its Warner Brothers' film business, HBO cable channel and cable systems, reports its operating results on a deconsolidated basis.

The group, which was left with a heavy debt and depreciation burden following the 1989 merger between Time and Warner, tries to focus attention on Ebitda as a measure of its underlying performance.

The net loss after preferred dividends worked through at 14 cents a share, against a net loss of 33 cents in the same period of last year.

Mr Gerald Levin, chairman, said the growth in Time Warner's copyright businesses had allowed it to sustain an increase in Ebitda, in spite of the Federal government's first round of the re-regulation of cable industry prices last September. The significant strengthening of the balance sheet during the past year had helped improve the earnings per share figures.

The Warner Brothers' film business produced a record $117m of earnings, up 10 per cent from a year before.

HBO produced record earnings of $61m, up 11 per cent, but the cable business saw a drop to $244m from $255m because of the new government regulations. A second round of government price regulations will go into effect around mid-year.

The publishing business, Time Inc, saw earnings rise 25 per cent to $70m.

The Warner music business earned $147m, down from $160m, due to marginally lower US record sales and losses from start-up ventures in cable music programming and direct marketing.

## Reynolds Metals cuts loss to $21m

**By Laurie Morse in Chicago**

Reynolds Metals, the US aluminium processor, said its first-quarter net loss shrank to $21m, or 46 cents a share, from $33m, or 55 cents, a year earlier. Sales rose to $1.3bn, from $1.2bn, largely because of rising shipments of aluminium packaging and containers.

"While our loss of $21m continues to reflect the impact of excess world aluminium inventories and low pricing, it shows a 35 per cent improvement over our 1993 first quarter," said Mr Richard Holder, Reynolds' chairman.

Aluminium shipments in the quarter fell to 345,000 tonnes, from 352,000 tonnes last time. Primary aluminium shipments dropped to 55,000 tonnes, from 70,600 tonnes. The company received an average price of 61 cents a pound for primary aluminium against last year's average 57 cents.

## Hungarian retailer's equity offer nets $70m

**By Nicholas Denton in Budapest**

Fotex, the private Hungarian retail group, has raised $70m new capital through the largest international equity offering by an east European company.

CS First Boston, global co-ordinator, said the offer had been fully subscribed. Fotex raised $54m through an international placement in 1991.

The current offer was taken up by institutional investors in Europe and the US, including CSFB's own recently-launched $200m Central European Fund.

Mr Gabor Varszegi, Fotex's chief executive, principal shareholder and eastern Europe's richest individual, subscribed to the new issue and maintained his holdings at 24 per cent.

Fotex and CSFB had planned to raise between $80m and $100m, but adverse market conditions curtailed their ambitions. Prospects of a rise in US interest rates, and sharp falls on the Turkish and Warsaw stock markets, contributed to a general nervousness among investors.

The size of the issue was also limited by Mr Varszegi's reluctance to issue shares at a discount. The deal was priced only marginally below the prevailing market rate, at Ft507 ($4.88), giving a ratio to prospective 1994 earnings of about 15-16.

Fotex is listed on the Budapest exchange and traded over the counter in London, Munich and Frankfurt. The group's ADRs trade in New York and Fotex plans to apply for a Nasdaq quotation.

Fotex said it would use part of the proceeds to complete the $30m purchase of Keravill, Hungary's largest chain selling consumer electronics and household appliances.

Audited net profit rose 38.2 per cent to Ft945m ($10.3m) in 1993 and turnover grew 83.4 per cent to Ft15.8bn. Mr Varszegi forecast a doubling of both sales and profits in 1994, due in roughly equal measure to acquisition and organic growth.



## Whirlpool ahead 16% in first quarter

**By Martin Dickson**

Whirlpool, the US manufacturer of domestic appliances, yesterday reported a 16 per cent increase in comparable first-quarter net earnings, helped by strong sales growth in the US, Latin America and Asia and cost-cutting in Europe.

Whirlpool reported net earnings of $87m, or 90 cents a share, compared with a net loss of $162m, or $2.27 a share, in the first quarter of 1993, when it took after-tax charges for a new accounting standard and for financial services subsidiary accounts.

Without the charges, 1993 earnings were $58m, or 81 cents a share.

Revenues for the latest quarter totalled $1.87bn, up from $1.81bn.

The group's home appliance operations reported earnings of $64m on revenues of $1.83bn, compared with earnings of $51m on revenues of $1.76bn.

Mr David Whitwam, chairman, said that "in terms of operating earnings, we are well on our way to what we expect will be another excellent year for Whirlpool".

In North America, shipments reached record first-quarter levels and ran ahead of the industry, which grew about 8 per cent.

Whirlpool said that expectations for full-year 1994 industry shipments in North America had risen to 6-7 per cent better than last year, due mainly to stronger volumes of air conditioners and microwave ovens.

In Europe, Whirlpool had a slight gain in shipments but turned in its best first-quarter operating results by continuing to make significant cost reductions.

The company said central Europe, including new sales organisations in the Slovak and Czech republics, had contributed nicely to first-quarter volumes.

Whirlpool's sale of its European compressor business to Embraco of Brazil was expected to be completed in the second quarter.

## Eyton steps down as PWA chief executive

**By Robert Gibbens in Montreal**

Mr Rhys Eyton, 58, has stepped down as president and chief executive of PWA, parent of Canadian International Airlines, but will become board chairman. Mr Kevin Jenkins, operating head of the airline, will succeed him.

Mr Eyton, criticised for overpaying for competitor Wardair in the 1980s, led PWA's fight to survive through the long recession, which culminated in a C$246m (US$177m) equity infusion by American Airlines.



مكتبة الاهل

INTERNATIONAL COMPANIES AND FINANCE

# Another Australian wine group for market

By Nikki Tait in Sydney

Australia's rapidly-expanding quoted wine sector is to gain another new entrant with the flotation of Simeon Wines, the country's largest supplier of contract wine and grape juice and incorporating the Buronga Hill winery in New South Wales.

Simeon Wines has been formed as a holding company by Orlando Wyndham, the South Australian wine producer which is owned by France's Pernod Ricard. Orlando is injecting Buronga Hill into Simeon, along with three fully-developed vineyards. The new company will also own land at Padthaway and Cowra, which is due to be developed.

Under the flotation plan, 12.5m shares in Simeon are being sold to the public at A$2 each, along with 12.5m convertible notes, also at A$2 each. Orlando Wyndham will retain 5.8m deferred participation ordinary shares in Simeon, equivalent to an 18.8 per cent holding once all notes are converted. At the issue price, and on a fully-diluted basis, Simeon will be capitalised at A$61.6m (US$43.3m).

Simeon said yesterday that the funds raised would help to expand the winery's capacity and finance the vineyard development. At present, the Buronga Hill winery has an annual crushing capacity of 50,000 tonnes.

The enormous recent export success of Australian wines – particularly in the UK – has put the industry under pressure to expand to meet demand. As a result, a number of companies – including BRL HArdy and Rothbury Wines – have listed on the stock market as a means of raising capital. Last month, BRL Hardy raised A$31.7m via a rights issue, and Australian Vintage, based in South Australia, is also in the process of joining the stock market via a much smaller share issue.

Meanwhile, anyone wondering about the choice of name for the latest market entrant should refer to the Bible. Orlando Wyndham is best-known for its Jacobs Creek wines, and Simeon was the son of Jacob.

# Two bidders for State Bank NSW

Bidders for the State Bank of New South Wales have contracted to two from six interested parties, the NSW state government said, Reuter reports from Sydney.

The government put the sale of the bank up for tender in December. The two remaining bidders – not yet named – have entered the due diligence phase.

# Combined net losses at Randgold group increase

By Mark Suzman in Johannesburg

The four gold producers in the troubled Randgold stable had another disappointing quarter as expected productivity gains failed to materialise and the group had to make provisions for claims after an accident at its Harmony mine. The mines' combined after-tax loss increased to R21.52m ($5.9m) compared with R17.29m in the December quarter.

Mr John Turner, chief executive, said overall yields had remained lower than expected. Combined with long-standing forward sales contracts at gold prices significantly below spot, this prevented the group from taking full advantage of the improved gold price.

Overall ore milled increased slightly to 2.26m tonnes from 2.23m tonnes last quarter, but gold output dipped further to 8,758kg from 8,941kg.

At East Rand Proprietary Mines, expected productivity improvements resulting from the introduction of a seven-day week proved unattainable and the scheme had to be scrapped as a result of excessive fatigue on the part of mineworkers. ERPM was the group's only mine to stay in the black, with after-tax profits of R3.19m following a loss of R16.87m in the previous quarter.

At Harmony, the group's biggest mine, an improved after-tax profit of R9.67m, compared with R8.97m, was transformed into a R18.3m loss after R28m had to be put aside to cover expected costs for the clean-up after the collapse of a slimes dam.

Further provisions are possible as third-party claims are made, but the company believes it has adequate insurance to cover these.

Durban Roodepoort Deep improved slightly, turning in an after-tax loss of R1.56m compared with R6.83m, but Mr Turner said new capital expenditure and development was "absolutely essential" for survival and that the mine would request further state aid.

Blyvooruitzicht reported an after-tax loss of R2.67m compared with R2.55m, reflecting a continued decline in yield to 5.66 grammes/tonne from 6.19 grammes/tonne.

# Citic Pacific in HK3.82bn share issue to fund expansion

By Louise Lucas in Hong Kong

Citic Pacific, the Hong Kong listed arm of the Beijing investment company, has issued HK$3.82bn (US$492.3m) worth of new shares to fund a series of tunnel and property acquisitions and to provide a treasure chest for further capital expenditure.

The acquisitions are to be injected into Citic Pacific from parent Citic HK under a series of share asset swaps, which sees the Hong Kong listed arm raise its stake in the Western Harbour Crossing, one of the most important projects in the new airport programme, to 35 per cent from 10 per cent. It also takes strategic stakes in the Eastern Harbour Crossing and the Shanghai Tunnel.

The Western Harbour Crossing is scheduled for completion around mid-1997, when it is expected to account for an average cross harbour flow of 69,000 vehicles a day, increasing to 160,000 by the year 2023. The total budgeted project cost is HK$7.5bn.

Two Hong Kong properties, one luxury residential and one industrial, are also being switched into Citic Pacific, both at prices which represent a 10 per cent discount to market valuations calculated by independent valuers.

The new shares represent around 8.25 per cent of the enlarged issued share capital of Citic Pacific. They were issued at HK$23, representing a discount of around 3.36 per cent to the closing price on Friday when the transaction was completed.

Following the deal, Citic HK marginally loosens its grip on the Hong Kong listed arm, down to 42.78 per cent from 43.04 per cent.

Of the new Citic Pacific shares, 66m will be swapped with Citic HK and a further tranche of 100m, worth HK$2.3bn, will be used for capital expenditure and to pay down debts.

Directors of Citic Pacific also said they had shelved plans to spin off Dah Chong Hong Holdings, the motor distributor.

# Austrian energy utility lifts half-year earnings

By Patrick Blum in Vienna

Energie-Versorgung Niederösterreich (EVN), the Austrian regional energy utility, yesterday announced a rise in operating profits for the six months ended in February, with increased sales of electricity, heating and natural gas to private and industrial customers.

Earnings from ordinary operations amounted to Sch1.26bn ($106.3m) on sales totalling Sch6.15bn. The earnings reflected an increase of 7.3 per cent over the figure for the same period a year earlier.

The improvement was achieved despite a mild winter and pointed to strong results for the full year, the company said.

The positive results were reflected in a 45 per cent rise in the value of EVN shares on the Vienna stock exchange, with the price of a share rising to Sch1,596 in February from Sch1,100 on September 1.

The company has looked to expand its activities in central and eastern Europe and recently signed co-operation agreements with JMP and JMS, two Brno-based Czech utilities, supplying natural gas and electricity respectively.

This follows two earlier agreements signed with JCE, a south Bohemian electricity company, and Degaz, the Hungarian gas supply company.

"These agreements represent a preparatory step in a process which we hope will lead to EVN taking stakes in one or more of these companies," said Mr Rudolf Gruber, EVN chairman.

Last week EVN was awarded a AA+ rating on its senior unsecured long-term debt by Standard & Poor's, and a Aa3 rating by Moody's.

# Enso to bid for balance of Dutch offshoot

By Christopher Brown-Humes in Stockholm

Enso-Gutzeit, the Finnish forest products group, said yesterday it planned to tighten its grip on Berghuizer Papierfabriek, its struggling Dutch paper subsidiary, through an offer for the outstanding shares in the company.

"The offer would be a first step towards a further integration of Berghuizer into the Enso group, with the intention of providing better safeguards for [its] continuity", it stated. Enso already owns 57.8 per cent of the company.

Berghuizer specialises in high quality copying and writing papers. Last year it made a Fl 14.8m ($7.7m) loss on sales of Fl 194.8m. It is not expected to improve this year.

Enso said its offer would be based on a price of Fl 50 per Berghuizer share, against a Fl 47 market price.



# RANDGOLD

## Gold mining companies' reports for the quarter ended 31 March 1994

### Blyvooruitzicht Gold Mining Company, Limited

Registration No. 05/03743/06

ISSUED CAPITAL: R6 000 000 IN 24 000 000 ORDINARY SHARES

| OPERATING RESULTS | Quarter ended 31-03-1994 | Quarter ended 31-12-1993 |
|---|---|---|
| **Underground operations** | | |
| Ore milled – t'000 | 235 | 237 |
| Gold produced – kg | 1 329 | 1 466 |
| Yield – g/t | 5.66 | 6.19 |
| Revenue – R/kg | 39 644 | 37 081 |
| Cost – R/kg | 44 554 | 39 231 |
| Working loss – R/kg | 4 910 | 2 150 |
| Revenue – R/t milled | 224.29 | 229.37 |
| Cost – R/t milled | 251.87 | 242.67 |
| Working loss – R/t milled | 27.77 | 13.30 |
| **Surface operations** | | |
| Tonnage treated – t'000 | 359 | 244 |
| Gold produced – kg | 172 | 93 |
| Yield – g/t | 0.48 | 0.38 |
| Revenue – R/kg | 39 644 | 37 081 |
| Cost – R/kg | 19 150 | 33 183 |
| Working profit – R/kg | 20 494 | 3 898 |
| Revenue – R/t milled | 18.48 | 14.13 |
| Cost – R/t milled | 9.41 | 12.65 |
| Working profit – R/t milled | 10.07 | 1.48 |
| **FINANCIAL RESULTS (R000's)** | | |
| Revenue | 59 509 | 57 809 |
| Cost | 62 506 | 60 599 |
| Working loss | (3 000) | (2 790) |
| Sundry (expenditure)/revenue – net | (586) | 667 |
| Loss before taxation and State's share of profit | (3 586) | (2 123) |
| Taxation and State's share of profit | 919 | (432) |
| Loss after taxation and State's share of profit | (2 670) | (2 555) |
| Capital expenditure – net | 4 245 | 6 610 |

**OPERATIONS**
There has been a further decline in yield due to the depletion of the company's ore reserves. The yield should improve as additional tonnage is sourced from the Western Deep Level tribute area.

**HEDGING**
At the date of this report, the company had the following hedging contracts:

| 12 months ending 30 June | Kilograms sold | Average price per kilogram |
|---|---|---|
| 1994 | 1 120 | R40 907 |
| 1995 | 3 421 | R41 537 |
| 1996 | 93 | R42 545 |

On 18% of the above contracts only the US dollar prices have been secured. A Rand/US dollar conversion rate of 3.60 was used to convert these contracts to Rands.

**CAPITAL EXPENDITURE**
Capital expenditure includes R1.7 million (previous quarter: R3.2 million) for the company's contribution for development related to the Western Deep Levels tribute.
There are commitments for capital expenditure amounting to R3.8 million.

For and on behalf of the board,
J. P. S. TURNER, Chairman
E. B. CROCKER, Managing Director

19 April 1994

### Durban Roodepoort Deep, Limited

Registration No. 01/00928/06

ISSUED CAPITAL: R9 325 000 IN 2 325 000 SHARES

| OPERATING RESULTS | Quarter ended 31-03-1994 | Quarter ended 31-12-1993 |
|---|---|---|
| **Underground operations** | | |
| Ore milled – t'000 | 229 | 220 |
| Gold produced – kg | 916 | 895 |
| Yield – g/t | 4.00 | 4.07 |
| Revenue – R/kg | 39 590 | 36 605 |
| Cost – R/kg | 45 442 | 48 544 |
| Working loss – R/kg | 5 852 | 11 939 |
| Revenue – R/t milled | 158.19 | 148.92 |
| Cost – R/t milled | 181.57 | 197.49 |
| Working loss – R/t milled | 23.38 | 48.56 |
| **Sand treatment** | | |
| Sand treated – t'000 | 311 | 309 |
| Gold produced – kg | 194 | 203 |
| Yield – g/t | 0.62 | 0.67 |
| Revenue – R/kg | 39 590 | 36 605 |
| Cost – R/kg | 22 507 | 20 673 |
| Working profit – R/kg | 17 083 | 15 932 |
| Revenue – R/t treated | 24.70 | 24.52 |
| Cost – R/t treated | 14.04 | 13.85 |
| Working profit – R/t treated | 10.66 | 10.67 |
| **FINANCIAL RESULTS (R000's)** | | |
| Revenue | 43 805 | 40 192 |
| Cost | 45 646 | 47 643 |
| Working (loss) | (2 841) | (7 451) |
| Sundry revenue – net | 478 | 625 |
| Loss before taxation and State's share of profit | (1 563) | (6 826) |
| Taxation and State's share of profit | – | 1 |
| Loss after taxation and State's share of profit | (1,563) | (6 826) |
| Capital (recoupments)/expenditure – net | (394) | 363 |

**OPERATIONS**
Pumping assistance from 1 April 1994 has been applied for and is essential for the continuance of the underground operations.
The achievement of planned improvements in productivity and an increase in the gold price are required to make the underground operations viable. Standby state assistance, in addition to the pumping assistance, is necessary to meet future funding requirements. Discussions in this regard are ongoing. Closure of the underground operations remains a possibility.

**HEDGING**
At the date of this report, the company had the following hedging contracts:

| 12 months ending 31 December | Kilograms sold | Average price per kilogram |
|---|---|---|
| 1994 | 868 | R42 245 |

On all of these contracts only the US dollar prices have been secured. A Rand/US dollar conversion rate of 3.60 was used to convert these contracts to Rands.

**PUMPING ASSISTANCE**
Assistance totalling R2.3 million (previous quarter: R2.0 million) for the pumping of extraneous water was claimed from the State during the quarter. Working costs are reflected net of this assistance.

**CAPITAL EXPENDITURE**
There are no commitments for capital expenditure (previous quarter: nil).

For and on behalf of the board,
J. P. S. TURNER, Chairman
P VOS, Managing Director

19 April 1994

### East Rand Proprietary Mines, Limited

Registration No. 01/00773/06

ISSUED CAPITAL: R794 258 531 IN 149 355 388 ORDINARY SHARES

| OPERATING RESULTS | Quarter ended 31-03-1994 | Quarter ended 31-12-1993 |
|---|---|---|
| **Underground operations** | | |
| Ore milled – t'000 | 258 | 256 |
| Gold produced – kg | 1 462 | 1 469 |
| Yield – g/t | 5.67 | 5.74 |
| Revenue – R/kg | 42 091 | 38 725 |
| Cost – R/kg | 47 277 | 45 225 |
| Working loss – R/kg | 5 186 | 6 500 |
| Revenue – R/t milled | 238.73 | 222.21 |
| Cost – R/t milled | 268.15 | 259.51 |
| Working loss – R/t milled | 29.42 | 37.30 |
| **Sand treatment** | | |
| Sand treated – t'000 | 536 | 492 |
| Gold produced – kg | 406 | 420 |
| Yield – g/t | 0.76 | 0.86 |
| Revenue – R/kg | 42 091 | 38 725 |
| Cost – R/kg | 22 607 | 26 021 |
| Working profit – R/kg | 19 484 | 12 704 |
| Revenue – R/t milled | 31.88 | 33.06 |
| Cost – R/t milled | 17.12 | 22.21 |
| Working profit – R/t milled | 14.76 | 10.85 |
| **FINANCIAL RESULTS (R000's)** | | |
| Revenue | 78 295 | 73 152 |
| Cost | 77 925 | 77 364 |
| Working profit/(loss) | 380 | (4 212) |
| Sundry revenue – net | 3 180 | 1 568 |
| Interest: paid and deferred | (367) | (14 230) |
| Profit/(loss) before taxation and State's share of profit | 3 193 | (16 874) |
| Taxation and State's share of profit | – | – |
| Profit/(loss) after taxation and State's share of profit | 3 193 | (16 874) |
| Capital expenditure – net | 3 219 | 7 697 |

**OPERATIONS**
As a result of excessive fatigue amongst employees, production and productivity improvements expected from 7 day mining did not materialise and negatively affected costs. The 11 shift fortnight was re-introduced from April 1994 with modifications to include voluntary work on off Saturdays and Sundays. This has necessitated a review of the mining plan.
Negotiations to diffuse the political antagonism referred to in the announcement of 8 April 1994 are continuing.

**HEDGING**
At the date of this report, the company had the following hedging contracts:

| 12 months ending 31 December | Kilograms sold | Average price per kilogram |
|---|---|---|
| 1994 | 2 177 | R43 374 |

On all of these contracts only the US dollar prices have been secured. A Rand/US dollar conversion rate of 3.60 was used to convert these contracts to Rands.

**PUMPING ASSISTANCE**
Due to the successful financial restructuring of the company, state assistance for the pumping of extraneous water has been restricted to the South West Shaft only and totalled R1.5 million (previous quarter: R2.3 million). Working costs are reflected net of this assistance.

**CAPITAL EXPENDITURE**
There are commitments for capital expenditure amounting to R1.8 million (previous quarter: R0.5 million).

For and on behalf of the board,
J. P. S. TURNER, Chairman
G. J. S. LAING, Managing Director

19 April 1994

### Harmony Gold Mining Company Limited

Registration No. 05/38232/06

ISSUED CAPITAL: R12 442 325 IN 26 884 850 SHARES

| OPERATING RESULTS | Quarter ended 31-03-1994 | Quarter ended 31-12-1993 | Year to date 31.03.94 |
|---|---|---|---|
| **Underground operations** | | | |
| Ore milled – t'000 | 1 537 | 1 514 | 4 673 |
| Gold produced – kg | 5 062 | 5 111 | 15 569 |
| Yield – g/t | 3.29 | 3.38 | 3.33 |
| Revenue – R/kg | 38 032 | 37 051 | 37 420 |
| Cost – R/kg | 37 691 | 36 702 | 36 479 |
| Working profit – R/kg | 341 | 349 | 941 |
| Revenue – R/t milled | 125.26 | 125.08 | 124.86 |
| Cost – R/t milled | 124.13 | 123.90 | 121.53 |
| Working profit – R/t milled | 1.13 | 1.18 | 3.13 |
| **Surface operations** | | | |
| Tonnage treated – t'000 | 80 | 97 | 257 |
| Gold produced – kg | 208 | 215 | 568 |
| Yield – g/t | 3.47 | 2.22 | 2.21 |
| Revenue – R/kg | 38 032 | 37 051 | 37 420 |
| Cost – R/kg | 10 246 | 11 000 | 11 570 |
| Working profit – R/kg | 27 786 | 26 051 | 25 850 |
| Revenue – R/t treated | 131.84 | 82.12 | 82.70 |
| Cost – R/t treated | 35.50 | 24.38 | 25.57 |
| Working profit – R/t treated | 96.34 | 57.74 | 57.13 |
| **FINANCIAL RESULTS (R000's)** | | | |
| Revenue | 200 438 | 197 336 | 603 812 |
| Cost | 192 928 | 189 948 | 574 470 |
| Working profit | 7 510 | 7 388 | 29 342 |
| Sundry revenue – net | 3 136 | 3 410 | 10 187 |
| Profit before taxation and State's share of profit | 10 646 | 10 798 | 39 529 |
| Taxation and State's share of profit | 979 | 1 830 | 3 955 |
| Profit after taxation and State's share of profit | 9 670 | 8 968 | 35 574 |
| Extraordinary item | 28 000 | – | 28 000 |
| (Loss)/Profit after extraordinary item | (18 330) | 8 968 | 7 574 |
| Capital expenditure – net | 2 573 | 3 181 | 6 178 |

**SLIMES SPILL DISASTER**
The company regrets to report the final death toll of 17. All persons who were listed as missing have been accounted for.
Operations have not been materially affected by the slimes dam disaster.

**EXTRAORDINARY ITEM**
The amount of R28 million is a provision for the estimated costs for clean up, restoration and ancillary expenditure. The company does not accept any liability for these costs, which will reduce by recoveries from insurance and claims for damages from third parties. It is anticipated that there will be third party claims by individuals who have suffered loss. The company has adequate public liability insurance and resources to cover any claims to the extent that it may be held liable.

**HEDGING**
At the date of this report, the company had the following hedging contracts:

| 12 months ending 30 June | Kilograms sold | Average price per kilogram |
|---|---|---|
| 1994 | 4 199 | R39 067 |
| 1995 | 9 362 | R43 395 |

On 2% of the above contracts only the US dollar prices have been secured. A Rand/US dollar conversion rate of 3.60 was used to convert these contracts to Rands.

**CAPITAL EXPENDITURE**
There are commitments for capital expenditure amounting to R3.2 million.
Capital expenditure is reflected net of the proceeds from sale of assets which amounted to R0.7 million compared with R1.3 million in the preceding quarter.

For and on behalf of the board,
J. P. S. TURNER, Chairman
E. B. CROCKER, Managing Director

19 April 1994

## NOTES

**DIVIDENDS**
No dividends have been declared for the 3 months ended 31 March 1994.

**CAPITAL EXPENDITURE**
Future capital expenditure is being restricted to those projects considered vital to the continuance of operations.

**GOLD HEDGING**
The proceeds from hedging transactions completed during the quarter form and will continue to be reflected as part of revenue derived from the sale of gold.

**GENERAL**
- All the companies mentioned are incorporated in the Republic of South Africa.
- Issued capital values include share premium.
- All financial figures are unaudited.
- Copies of the above quarterly reports may be obtained on application to the share transfer secretaries.

United Kingdom secretaries
Viaduct Corporate Services Limited
19 Charterhouse Street
London EC1N 6QP

United Kingdom registrars and paying agents
Barclays Registrars
Bourne House, 34 Beckenham Road
Beckenham, Kent BR3 4TU

# Treasuries plunge after surprise move by Fed

By Frank McGurty in New York and Sara Webb in London

US Treasury bonds plunged yesterday morning after the chairman of the Federal Reserve surprised the market by announcing a move to lift short-term interest rates for a third time in two months.

By midday, the benchmark 30-year government bond was $1\frac{1}{32}$ lower at $86\frac{5}{32}$, with the yield rising to 7.377 per cent. At the short end, the two-year note was down $\frac{5}{32}$ to $99\frac{1}{32}$, to yield 5.621 per cent.

Early in the session, prices were drifting lower in quiet trading. The market was jolted out of its slumber by the 10am statement issued by Mr Alan Greenspan. The Fed chief said the central bank would "increase slightly" pressure on reserve positions in the banking system, a move which is expected to lead to a boost in the Federal Funds inter-bank lending rate, from 3.50 to 3.75 per cent.

Most traders had not expected the Fed to act until the next meeting of its policy-making arm on May 17. Last week, many were speculating the move would coincide with Friday's release of data on March capacity utilisation. When the figures proved tame, and the morning passed uneventfully, the market let down its guard.

Prices at the long end of the maturity range quickly shed nearly a point, stabilised and then dropped a further ¼ of a point. Traders said the losses reflected disappointment that the Fed had not acted more aggressively, perhaps by also increasing the discount rate, at which the central bank lends money to banks.

Near midday, the long bond again began to retrace its losses, pulling the short end off its session lows.

## GOVERNMENT BONDS

■ European government bond markets plummeted as news emerged of the rise in US short-term interest rates. Bond futures contracts lost between a point and two points on the day, breaking through key support levels which then triggered further selling by investors. While most of the activity took place in the futures markets, the steep fall pulled cash bond prices down too.

"It was a bit of a meltdown," said Mr Steve Major, bond analyst at Crédit Lyonnais.

Europe opened on a fairly bearish note yesterday morning as investors digested the implications of the Bundesbank's small easing last week. "Investors are reconciling themselves to the fact that the Bundesbank is going to continue with its slow pace of easing, cutting three or five basis points from the repo at a time," said one bund trader.

While the Bundesbank's interest rate cut last Thursday prompted several other European central banks to follow suit, there was disappointment that the Bank of France left its intervention rate unchanged at 5.90 per cent yesterday.

The French notional bond futures contract on the Matif opened at 122.94 and fell to a low of 121.94 after breaking through the key support level of 122.00. The contract settled at 122.02.

"The European markets were driven by weakness in the US, and in the near term we can expect to see technically driven trading. All the markets are breaking important support levels, and this is triggering stop-loss selling," said Mr Ifty Islam, bond strategist at Merrill Lynch.

The German government bond market fell sharply too: the Liffe bund futures contract opened at 96.47 and quickly reached the high of the day at 96.57 before drifting lower. But news of the Fed tightening sent the futures contract down to a low of 95.36, after which it recovered to trade at 95.47 by late afternoon.

High-yield European markets suffered even bigger losses with Spain and Italy falling nearly two points on the day.

■ The Liffe long gilt futures contract fell nearly two points, again prompted by the unsettling news from the US and despite relatively favourable economic fundamentals. Friday's good inflation figures, and the prospect of "gilt-positive" news this week on the economic front did little to stem the selling, dealers said.

However, before the US news was released, and while market conditions remained relatively calm, the Bank of England sold out its tranche of £150m of 2½ per cent index-linked stock due 2011, announced on Friday.

# British Columbia in $2bn EMTN launch

By Conner Middelmann

The Canadian province of British Columbia plans to launch a $2bn Euro medium-term note programme (EMTN) arranged by Lehman Brothers, a finance ministry official said.

The programme, which is due to be launched in early to mid-May, is part of an ongoing process of diversifying the province's borrowing sources and broadening its investor base, said Mr Jim Hopkins, assistant director of debt management at the finance ministry of British Columbia.

The dealer group will include Deutsche Bank, J.P. Morgan, UBS, Goldman Sachs, Morgan Stanley, Merrill Lynch and SBC, he said.

British Columbia is a well-known name in the Eurobond market, which it first used in 1983. Last year, it issued a C$1.25bn global bond as well as two Canadian dollar-denominated Eurobonds with maturities of 12 and 30 years. Its borrowing requirement for the financial year 1994-95 totals C$4.1bn, down from last year's C$4.8bn.

British Columbia has the highest credit rating among Canada's provinces. Standard & Poor's rates its long-term debt double-A-plus while Moody's accords it a double-A-1 rating.

● The Finnish Ministry of Finance has appointed arranger Morgan Stanley, Goldman Sachs, Lehman Brothers, Merrill Lynch, and UBS as dealers for its $10bn Euroshelf for the issuance of debt instruments. The equivalent of $4.3bn has been issued to date under the programme, which was established in March 1993.

# US rate rise unsettles potential Eurobond issuers

By Antonia Sharpe

An unexpected rise in US short-term interest rates yesterday afternoon upset a promising start to the week in the Eurobond market. Syndicate managers said several borrowers had been close to launching mothballed Eurobond issues but were unsettled by the market volatility which was triggered by the Federal Reserve's action.

"The US rate rise has closed the sterling fixed-rate market for the week, and probably the other currencies too," said one syndicate manager.

L-Bank, the recently renamed state development agency of Baden-Württemberg, was putting the final touches to its long-awaited D-Mark global bond offering yesterday but today's planned launch was in doubt after the US news. Prior to the rise, market talk on the five-year issue, which could raise between DM2bn and DM3bn, was 35 to 37 basis points over the five-year Treuhand bonds due October 1999.

L-Bank and the lead managers, Deutsche Bank, J.P. Morgan and Salomon Brothers, are expected to take a final decision this morning on whether the deal should go ahead.

Syndicate managers said L-Bank's dithering was creating a backlog of D-Mark Eurobond issues. For example, KfW, the German government agency for redevelopment, is thought to be keen to raise DM1.5bn though an offering of 10-year Eurobonds but is waiting for L-Bank's larger offering to be out of the way. Greece is also looking to tap the D-Mark floating-rate market next week.

## INTERNATIONAL BONDS

By contrast, Sweden is expected to take advantage of the rise in Canadian government bond yields to attract investors to its C$200m issue of five-year Eurobonds which is due to be launched today via Daiwa. The bonds are likely to be priced to yield between 20 and 30 basis points over the five-year area of the Canadian government bond yield curve.

Spain is reported to be seeking advice from four or five firms on an Ecu1bn issue of 10-year Eurobonds. Price talk on this issue is around 15 basis points over the yield on the French government's Ecu OAT.

Among yesterday's issues, 3i, the UK venture capital company which is earmarked for a partial flotation later this year, took advantage of steady market conditions in the morning to raise £150m through an issue of five-year floating-rate notes (FRNs).

The discounted margin at re-offer on the notes of 25 basis points over Libor was described as reasonable and syndicate managers said the notes sold quickly with around two thirds going to UK investors. When the notes were freed to trade, they rose from their re-offer price of 99.725 to 99.75. The offering replaced an £125m FRN issue which 3i called earlier this year.

● Standard & Poor's affirmed its double-A rating on the long term debt of Daimler-Benz, the German luxury car, aerospace and defence group, but changed its outlook to negative from stable to reflect difficult operating conditions facing the company's key areas.

## NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Union Européenne de CIC‡ | 200 | (a) | 99.88R | May.1997 | 0.15R | - | Kidder Peabody Intl. |
| Astra International | 125 | 9.75‡ | 99.80R | Apr.2001 | 1.00R | +300 (8%-01) | Chase Investment Bank |
| Dai-Ichi Kangyo Australia‡‡ | 60 | (b) | 100.30R | May.2004 | 0.30R | - | DKB International |
| LTCB of Japan‡‡ | 50 | (c) | 101.00 | May.2004 | 2.00 | - | LTCB International |
| DKB Nederland‡‡ | 45 | (d) | 100.30R | May.2004 | 0.30R | - | DKB International |
| **D-MARKS** | | | | | | | |
| Deutsche Ausgleichsbank‡ | 150 | (f) | 100.05 | May.2004 | 0.30 | - | Trinkaus & Burkhardt |
| **STERLING** | | | | | | | |
| 3i International(f) | 150 | (i) | 99.725R | May.1999 | 0.1875R | - | CSFB/ Kleinwort Benson |
| **ITALIAN LIRE** | | | | | | | |
| Toyota Motor Credit Corp. | 250bn | 8.375 | 101.657 | May.1999 | 1.875 | - | Deutsche Bank London |
| **BELGIAN FRANCS** | | | | | | | |
| European Investment Bank• | 6bn | 6.25 | 100.00 | Apr.1997 | undisc. | - | Banque Indosuez Belgique |
| **LUXEMBOURG FRANCS** | | | | | | | |
| Great Belt(k) | 2bn | 6.625 | 102.05 | Apr.1999 | 1.75 | - | BIL |

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. •Private placement. ‡Floating rate note. ‡‡Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. [illegible]

# Polish Development Bank plans debut

By Christopher Bobinski in Warsaw

The state-owned Polish Development Bank (PDB) is planning an issue of short-term hard currency bonds through the ING Bank in London, in Poland's first appearance in the international capital markets.

The PDB sees the $100m three-year programme as paving the way for the government's plans to issue $1.5bn worth of bonds abroad once the country's 43 per cent reduction deal on its $12.2bn debt with the London Club of commercial bank creditors is finalised this autumn.

Terms on what is effectively a certificate of deposit programme have yet to be fixed but the ING says that they will be above Mexican bank yields and below Brazilian or Argentine bank yields. The CDs are to be issued for between a week and six months but initially they will be limited to 90 days.

The PDB already has a domestic CD programme in place serving companies listed on the Warsaw stock exchange. The bank, which is 51 per cent state owned, is itself planning to apply later this year for a Warsaw bourse listing coupled with a new share issue which would boost its capital from its present 1,307.3bn zlotys to 1,407.3bn zlotys. Last year the PDB reported a 147.9bn zloty net profit on a balance sheet worth 6,582.2bn zlotys.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 9.500 | 08/03 | 106.1900 | +0.860 | 8.07 | 8.03 | 7.13 |
| Belgium | | 7.250 | 04/04 | 99.7000 | -0.760 | 7.29 | 7.15 | 7.05 |
| Canada * | | 6.500 | 06/04 | 88.1500 | -0.950 | 8.25 | 7.99 | 7.40 |
| Denmark | | 7.000 | 12/04 | 99.3700 | -0.650 | 7.08 | 6.87 | 6.57 |
| France | BTAN | 8.000 | 05/98 | 106.4900 | -0.550 | 5.94 | 5.76 | 5.70 |
| | OAT | 5.500 | 04/04 | [illegible] | [illegible] | 6.78 | 6.66 | 6.18 |
| Germany | | 6.000 | 09/03 | 97.8800 | -0.500 | 6.33 | 6.23 | 6.11 |
| Italy | | 8.500 | 01/04 | 87.6000 | -0.840 | 8.67† | 8.86 | 9.10 |
| Japan | No 119 | 4.800 | 06/99 | 106.1610 | +0.320 | 3.40 | 3.46 | 3.49 |
| | No 157 | 4.500 | 06/03 | 103.6310 | -0.070 | 3.96 | 4.00 | 4.06 |
| Netherlands | | 5.750 | 01/04 | 93.6500 | -1.150 | 6.65 | 6.40 | 6.12 |
| Spain | | 10.500 | 10/03 | 108.2500 | -1.350 | 9.15 | 8.93 | 8.69 |
| UK Gilts | | 6.000 | 08/99 | 93-30 | -26/32 | 7.40 | 7.19 | 6.63 |
| | | 6.750 | 11/04 | 93-01 | -31/32 | 7.73 | 7.64 | 7.24 |
| | | 9.000 | 10/08 | 109-15 | -63/32 | 7.89 | 7.82 | 7.40 |
| US Treasury * | | 5.875 | 02/04 | 91-11 | -32/32 | 7.11 | 6.90 | 6.41 |
| | | 6.250 | 08/23 | 85-12 | -34/32 | 7.39 | 7.25 | 6.85 |
| ECU (French Govt) | | 6.000 | 04/04 | 92.5700 | -0.850 | 7.06 | 6.93 | 6.56 |

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

### US INTEREST RATES

[illegible]

### BOND FUTURES AND OPTIONS

**France**

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 122.94 | 122.02 | -0.74 | 122.94 | 121.84 | 211,843 | 125,626 |
| Sep | 122.14 | 121.24 | -0.74 | 122.14 | 121.24 | 514 | 12,168 |
| Dec | 121.44 | 120.44 | -0.84 | 121.44 | 121.44 | 2 | 358 |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | Calls May | Calls Jun | Calls Sep | Puts May | Puts Jun | Puts Sep |
|---|---|---|---|---|---|---|
| 123 | 0.20 | 0.63 | 1.02 | 1.17 | 1.58 | - |
| 124 | 0.08 | 0.30 | - | 1.98 | 2.24 | - |
| 125 | 0.02 | 0.14 | - | - | - | 4.05 |
| 126 | - | 0.07 | 0.27 | - | 3.97 | - |
| 127 | - | 0.04 | - | - | 4.93 | - |

Est. vol. total, Calls 42,136 Puts 43,697. Previous day's open int., Calls 384,880 Puts 271,676.

**Germany**

■ NOTIONAL GERMAN BUND FUTURES (LIFFE) DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 96.47 | 95.47 | -0.87 | 96.57 | 95.33 | 162006 | 201193 |
| Sep | 95.85 | 95.20 | -0.85 | 95.85 | 95.30 | 3 | 6925 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | Calls Jun | Calls Sep | Puts Jun | Puts Sep |
|---|---|---|---|---|
| 9600 | 1.10 | 1.42 | 0.63 | 1.22 |
| 9650 | 0.81 | 1.16 | 0.84 | 1.46 |
| 9700 | 0.57 | 0.95 | 1.10 | 1.75 |

Est. vol. total, Calls 14526 Puts 16482. Previous day's open int. Calls 271555 Puts 246776

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 100.70 | 100.58 | -0.19 | 100.70 | 100.57 | 20 | 2055 |

**Italy**

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 114.00 | 112.20 | -1.27 | 114.18 | 111.91 | 60643 | 84380 |
| Sep | 113.16 | 111.77 | -1.29 | 113.16 | 112.19 | 55 | 1873 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | Calls Jun | Calls Sep | Puts Jun | Puts Sep |
|---|---|---|---|---|
| 11200 | 1.55 | 2.46 | 1.35 | 2.68 |
| 11250 | 1.29 | 2.22 | 1.59 | 2.95 |
| 11300 | 1.06 | 2.01 | 1.86 | 3.24 |

Est. vol. total, Calls 4609 Puts 2085. Previous day's open int. Calls 77486 Puts 77767

**Spain**

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 99.80 | 98.22 | -1.49 | 99.80 | 98.20 | 72,345 | 109,882 |
| Sep | 98.80 | 100.20 | -1.31 | 98.80 | 98.80 | 10 | 104 |

**UK**

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 108-19 | 105-13 | -3-31 | 108-23 | 105-12 | 93128 | 144576 |
| Sep | | 105-18 | -3-31 | | | 0 | 198 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | Calls Jun | Calls Sep | Puts Jun | Puts Sep |
|---|---|---|---|---|
| 106 | 1-47 | 2-21 | 1-21 | 2-63 |
| 107 | 1-15 | 1-58 | 1-53 | 3-28 |
| 108 | 0-54 | 1-34 | 2-28 | 4-02 |

Est. vol. total, Calls 1050 Puts 1730. Previous day's open int. Calls 93777 Puts 69717

**Ecu**

■ ECU BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 89.34 | 88.92 | -0.36 | 89.34 | 88.70 | 2,300 | 7,324 |

**US**

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 104-21 | 104-14 | -0-07 | 104-29 | 104-00 | 361,087 | 413,848 |
| Sep | 103-26 | 103-15 | -0-08 | 103-29 | 103-10 | 4,396 | 45,266 |
| Dec | 103-00 | 102-24 | -0-01 | 103-00 | 102-22 | 622 | 32,908 |

**Japan**

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 112.23 | - | - | 112.23 | 111.80 | 2444 | 0 |

* LIFFE contracts traded on APT. All Open interest figs. are for previous day

### FT-ACTUARIES FIXED INTEREST INDICES

[illegible]

### FT FIXED INTEREST INDICES

[illegible]

### GILT EDGED ACTIVITY INDICES

[illegible]

## UK GILTS PRICES

[illegible]

### Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on April 18

U.S. DOLLAR STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS

[illegible]

## COMPANY NEWS: UK

Strength shown in final quarter continues into current year

# Morgan Crucible rises to £66m

By David Wighton

Morgan Crucible, the speciality materials group, reported an 8 per cent increase to £66m in pre-tax profits for the year to *January 4 after a strong final* quarter.

Mr Bruce Farmer, managing *director, said that a* "very changeable" year had ended on a high note with the trend continuing into the current period.

"Some improvements in demand are beginning to show through in the UK and Australia and the worst of the recession *on the Continent now* appears to be over." Mr Farmer also hinted that a decision was *close on the future of Holt* Lloyd, the car care chemicals subsidiary where profits *almost doubled to £7.7m* (£4.1m) on sales of £99m.

"If it was sold the way I want it would not dilute earnings this year," he said.

The group, which generates 85 per cent of turnover outside the UK, increased sales by 16 *per cent to £793.3m (£684m).* Excluding the impact of exchange rate movements and acquisitions, the rise was 6 per cent with order intake up 6.5 per cent.

Operating profits rose by 15 per cent to £81.1m (£70.7m), *showing underlying growth of* just under 3 per cent. The interest bill jumped to £15.9m *(£9.3m) but should fall this* year.

Operating margins slipped to *10.2* per cent (10.3 per cent) but Mr Farmer said that price increases were now sticking and predicted that margins could recover to between 13 and 14 per cent in two to three years time.

All the group's four divisions *reported* higher profits including thermal ceramics which, in spite of "very difficult" conditions in continental Europe during the first half, contributed £22.3m (£20.8m). The carbon division, which made £17.3m (£15.6m), did not experience the downturn on the Continent until the second half.

Earnings per share rose 7 per *cent to 20p (18.7p) and the divi*dend is held at 12.6p with a proposed final of 6.85p.

*Operating cash flow nearly* doubled to £112m and there was a net cash inflow of £200,000 compared with an outflow of £55.6m in 1992.

**● COMMENT**

Thanks to its international expansion Morgan Crucible has had a less traumatic time in this recession than a decade ago and with 39 per cent of its sales in the Americas and 9 per cent in east Asia it looks pretty well-placed for the 1990s. It is already reaping the rewards in China, where it got in ahead of the crowd, and is now planning a green field carbon plant in Vietnam. Despite this continued investment it is finally generating cash and with a *sale of Holt Lloyd likely to* raise more than £80m fears of yet another rights issue have *at last been laid to rest.* The shares have bubbled up in response, adding another 1p to 381p yesterday. They may settle now given the premium rating of 17.5 on top of the range forecasts of £73m for this year.

# Norcor planning flotation by June

By Maggie Urry

Norcor, a corrugated board maker based in Norwich, Norfolk, is planning to float on the stock market by June. It hopes to raise sufficient new money to repay £17.5m debt, while loan notes totalling a similar amount are likely to be *converted into equity.*

Once floated, the group should be capitalised at *between £35m and £40m and* be ungeared. However, Norcor, originally Norwich Corrugated, plans to spend £5m to £6m on a complete rebuild of one of its four machines over the next two years, which will require debt finance.

UBS, the sponsor to the issue, is also the parent of Phildrew Ventures, one of Norcor's largest investors following a £36m management buy-out in 1989. Phildrew and *other backers will retain their* shareholdings in the group.

Norcor is the second largest *force in the "sheet feeder"* market, buying paper, making corrugated board and selling it to box manufacturers.

Profits have been fairly static through the recession, with operating profits of £3.85m in 1993, compared to £3.76m in 1990. But interest charges have kept the group in losses over that period.

*The MBO failed to meet* profit targets and was refinanced in 1991, with a £2.5m equity injection and debt rescheduled.

# Johnson Fry £12.5m in red after restructuring

By Simon Davies

Johnson Fry, the financial services and investment group, incurred a pre-tax loss of £12.5m in 1993 due to the impact of asset sales and a radical restructuring, but showed a sharp improvement in operating profits.

The company sold its LIT America business last July, resulting in a book loss of *£7.8m, and a £19.8m goodwill* write-down.

Total exceptional losses amounted to £22.7m in 1993, obscuring operating profits of £12.2m, which compared with £2.8m in 1992.

As a leading sponsor of business expansion schemes, Johnson Fry benefited from the spurt of interest before such schemes were phased out at the end of 1993.

It raised £486m for the schemes *last year, generating* gross profit of £15.8m, up from £6.6m. This income will not recur.

Last year was a watershed for the group, which had started 1993 as *LIT Holdings*, the heavily indebted parent company of the lossmaking LIT America business.

Following the $23.6m (£16.1m) sale of LIT America and the radical capital reconstruction, it now has a profit*able core business, negligible* long-term debt, and a market capitalisation increased from £3m to £45m.

Johnson Fry Property now has a £903m portfolio, resulting from *BES* property schemes, and this will contribute management fees during the 5 year lives of the funds. It contributed £2.24m (£982,000) in 1993.

The investment management side made £1.08m (£372,000). Fees should rise this year, as it gets a full year contribution from its two utilities investment trusts, and other new products.

The company will consider the resumption of dividends *next year. Losses per share in* 1993 came to 103.1p (8.1p).

**● COMMENT**

What a difference a year makes. Johnson Fry is now a cash rich company on the lookout for opportunities to expand *by acquisition, when a year* earlier it was a financial wreck. But last year's outcome *gives little sense of itsfinancial* strength, not just because of the restructuring, but because of *BES*. Brokers expect pre-tax profits of £5.5m in 1994, putting the shares on a p/e of 11.5. A discount to the sector is justified, given the lack of a meaningful track record, but after falling 5 per cent to 283p yesterday, the shares offer speculative value.

# Eastern Elect completes 5% share buy-back

By Michael Smith

Eastern Electricity, the regional electricity distributor based in Ipswich, has completed the purchase of 13.5m of its own shares, representing 5 per cent of the total equity.

It bought 4.2m shares yesterday at an average price of 675p. The shares closed 8½p up at 656p.

*The average price of the* 13.5m shares bought was 663p.

Eastern received permission for a 5 per cent share buy-back at its last annual meeting.

Other regional power companies are likely to seek similar authorisations at their AGMs.

# Harmony Property in £7m mixed portfolio expansion

By Tim Burt

Harmony Property yesterday signalled another stage in its transformation from a pubs and restaurant company with the £7.05m acquisition of a mixed commercial and retail portfolio.

The transaction, funded from cash reserves and modest borrowing, follows two months of talks between with Mid-Century Trust, the privately-owned property developer.

*Mr Lewis Davis, Harmony's managing direc*tor, said the acquisition – involving offices and retail outlets in Luton, north London and Southampton – would almost double the value of property assets to about £20m.

"We've sold a number of lossmaking pubs and we're now developing the property side, that's where we have expertise," he said.

A weak performance from the group's two hotels and 13 pubs, however, led to pre-tax losses of £323,000 in the six months to September 26, against a £344,000 deficit last time.

Turnover fell from £3.09m to £2.25m, although reduced interest payments contained losses per share at 0.5p (0.95p).

*Mr Davis said the group, which has not* paid dividends for several years, should be in a position to do so next year.

The shares were suspended on the USM yesterday pending a transfer to the Official List.

# Board claims countered in Regina dispute

Mr Shiraz Malik-Noor, the major shareholder of Regina, who is pushing for reinstatement on the board of the USM-quoted royal jelly company, has sent a second letter to shareholders countering the *accusations of the current* chairman.

Mr Malik-Noor is involved in a fight for control of Regina's board.

His opponents are Mr Paul Geoghegan, chairman, and Mr Tony Shakesby, finance director. They have sent three letters urging shareholders to vote against Mr Malik-Noor.

*Mr Malik-Noor wrote that* the decision to sponsor a costly US polo tournament was made jointly with Mr Geoghegan and Mr Shakesby, who have criticised the move as a waste of money. He also said that interest on loans to Regina by a connected company was agreed in arms-length negotiations which did not include himself.

*The appointment of Mr* Malik-Noor and two non-executive directors to the board will be voted on at an extraordinary meeting on April 25.

# Low voids level helps LAIT rise to £1.52m

London & Associated Investment Trust, the shopping centres group, announced a 37 per cent in pre-tax profits for 1993. The company said the advance was the result of managing the rent roll with a low level of voids.

*On turnover of £3.92m* (£3.56m) profits were £1.52m, against £1.1m restated for FRS 3. Earnings per share were 1.48p (0.9p) and the dividend is raised to 0.64p (0.58p) with a proposed final of 0.59p.

Net assets per share advanced from 39.1p to 48.6p, a rise of 24 per cent. A revaluation at the period end resulted *in a surplus of £5.6m.*

Since the end of the year LAIT has acquired Dagenham's main shopping centre, taking its number of shops to 580 and the value of its portfolio to £60m. Gearing at the year end was 35 per cent, which is expected to rise to 51 per cent *after the Dagenham purchase.*

● Bisichi Mining, LAIT's 42 per cent owned associate, reported 1993 pre-tax profits of £40,000 (£161,000) after making a £125,000 provision mainly against investments in South Africa. Turnover was £406,000 (£358,000).

Losses per share were 0.04p (1.29p earnings). The final, single, dividend is 0.68p (0.63p).

# £110,000 bonus for TI chairman

Sir Christopher Lewinton, chairman of TI Group, was last year paid a £110,000 performance-related bonus as the company saw pre-tax profits increase 43 per cent.

The bonus, on top of a £50,000 increase in basic salary to £558,000 and £37,000 benefits-in-kind, took Sir Christopher's total package to £705,000, excluding pension contributions of £35,000.

# Guinness offshoot chief receives £670,000 pay-off

By Paul Taylor

Mr Crispin Davis, former managing director of United Distillers, the Guinness spirits division, who resigned from the group in October by *mutual agreement, will receive* cash and non-cash benefits worth £670,000 over the two years to October 1995.

Details of the compensation package for loss of office are contained in the Guinness group accounts. Under the terms of the agreement Mr Davis will remain available for consultation by the company.

His departure, after little more than a year as head of UD, was said at the time to be due to a personality clash with *Mr Tony Greener, Guinness's* chairman and chief executive.

Mr Greener was the highest paid Guinness director in 1993, receiving £648,000 in total remuneration. Sir Anthony Tennant, his predecessor, was paid £777,000 in 1992. . .

# £265,000 settlement for Hillsdown director

By Maggie Urry

Hillsdown Holdings paid compensation for loss of office of £265,000 to Mr Simon Moffat when he resigned as finance director in April last year. The amount was revealed in the group's annual report, published yesterday.

*Mr Moffat had been* recruited as finance director only the previous June, but his appointment had "not worked out as envisaged by either side", Hillsdown said at the time.

The report also showed that Mr David Newton, chief executive, received a total of £412,000 for 1993, compared with a salary of £262,000 in 1992 plus a bonus of £490,000 that year which related to his five year stint in Canada.

*Sir John Nott, chairman* since April 30, received £124,000 during the year plus pension contributions of £40,000.

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Bisichi Mining | fin | 0.68 | Aug 26 | 0.63 | 0.68 | 0.63 |
| CentreGold | int | 0.8 | May 20 | - | - | - |
| Densitron Intl | fin | 1 | June 25 | 1 | 1.5 | 1.4 |
| HCG Lloyd's | fin | 0.3 | July 1 | - | 0.3 | - |
| Linton Park | fin | 12.5† | July 19 | 11.5 | 15 | 14 |
| LAIT | fin | 0.59 | Aug 31 | 0.53 | 0.64 | 0.58 |
| Morgan Crucible | fin | 6.85 | July 6 | 6.85 | 12.6 | 12.6 |
| SPLIT | fin | 13.9 | June 1 | 13.85 | 33.5 | 44.1 |

Dividends shown pence per share net except where otherwise stated. †On increased capital.

# De Beers Consolidated Mines Limited

(Incorporated in the Republic of South Africa)
Registration No. 11/00007/06

## NOTICE TO MEMBERS

Notice is hereby given that the one hundred and sixth annual general meeting of members of De Beers Consolidated Mines Limited will be held at the Head Office of the Company, 36 Stockdale Street, Kimberley on Friday, 20 May 1994, at 14.15, for the following business:

- to receive and consider the annual financial statements of the Company and of the group for the year ended 31 December 1993;
- to elect directors in accordance with the provisions of the articles of association of the company;
- to consider and, if deemed fit, to pass, with or without modification, the following resolution as an ordinary resolution:

*"That the directors be and they are hereby authorised to allot and issue all or any portion of the unissued deferred shares of five cents each in the capital of the Company at such time or times, to such person or persons, company or companies, and upon such terms and conditions, as they may determine."*

A member entitled to attend and vote at the meeting may appoint a proxy to attend, speak and vote in his stead. A proxy need not be a member of the Company. If required, forms of proxy are available from the Head Office and the office for the London Secretaries of the Company.

The register of members of the Company will be closed from Friday, 13 May to Friday, 20 May 1994, both days inclusive.

Holders of linked deferred share warrants to bearer who desire to attend in person or by proxy or to vote at any general meeting of the Company must comply with the regulations of the Company under which share warrants to bearer are issued.

By order of the board
R.W. KETLEY Secretary
36 Stockdale Street, Kimberley, South Africa — 19 April 1994

# Centenary Depositary AG

(Incorporated under the laws of Switzerland)
("the Depositary")

## NOTICE OF ANNUAL GENERAL MEETING OF DE BEERS CENTENARY AG

Holders of Centenary depositary receipts are hereby notified that De Beers Centenary AG ("the Company") has given notice to its shareholders convening its fourth Annual General Meeting which will be held at the Grand Hotel National, Lucerne, Switzerland on Tuesday, 10 May 1994 at 12.15.

The agenda and motions for the meeting are as follows:

**AGENDA AND MOTIONS**

1. To receive the reports of the Auditors and Group Auditors for the financial year ended 31 December 1993.
2. To received and adopt the Report of the Directors, the annual financial statements of the Company and of the group as at and for the year ended 31 December 1993.

The following motion will be proposed as Resolution No.1:

*That the Report of the Directors for the year ended 31 December 1993, together with the annual financial statements of the Company and of the group as at and for the year ended 31 December 1993 respectively, be and they are hereby approved and adopted.*

3. To approve the allocation of balance sheet profits as recommended in the Report of the Directors and to declare a dividend of SFr 7 - per share (equal to 7 centimes per Centenary depositary receipt).

The following motion will be proposed as Resolution No.2:

*That the allocation of balance sheet profits as recommended in the Report of the Directors be accepted and approved, including the declaration of a dividend of SFr 7-per share (equal to 7 centimes per Centenary depositary receipt) payable on 25 May 1994 to shareholders registered as such in the Company's register of shareholders on Friday, 25 March 1994.*

4. To ratify and confirm the actions of all person who held office as member of the Board of Directors.

The following motion will be proposed as Resolution No.3:

*That the actions of all persons who held office as members of the Board of Directors of the Company during the year ended 31 December 1993 be and they are hereby ratified and confirmed.*

5. To elect additional directors and to re-elect those directors of the Company retiring in accordance with the Articles of Association and regulations passed pursuant thereto.

The following motion will be proposed as Resolution No.4.

*That Mr G.F.H. Burne and Sir Chippendale Keswick be elected and that Baron Edmond de Rothschild, Sir Evelyn de Rothschild, Mr H.F.Oppenheimer and Mr N F Oppenheimer be re-elected as members of the Board of Directors of the Company for a period of four years, until the conclusion of the annual general meeting to be held in 1998.*

6. To re-elect Deloitte Pim Goldby GmbH as the Auditors and Group Auditors respectively of the Company.

The following motion will be proposed as Resolution No.5.

*That Deloitte Pim Goldby GmbH be and are hereby re-elected as the Auditors and Group Auditors respectively of the Company for a period of one year, until the conclusion of the Annual General Meeting to be held in 1995.*

The Report of the Directors (including the proposals of the directors relating to the allocation of balance sheet profits and declaration of a dividend), the annual financial statements of the Company and of the group, and the Auditors' and Group Auditors' reports will be posted to registered Centenary depositary receipt holders together with this Notice and will also be available to receipt holders at the Head Office of the Company and at the offices of the Transfer Secretaries of the Depositary.

Each Centenary depositary receipt holder is entitled to attend and to speak at the Annual General Meeting either in person or be represented by a duly authorised representative or proxy whose authority must be established to the satisfaction of the Depositary. Receipt holders wishing to attend the meeting by proxy may obtain forms of proxy from the Depositary or its Transfer Secretaries and proxy must be lodged with the Transfer Secretaries no later than 12:15 on Friday 6 May 1994.

Proxies for deposited shares as contemplated in article 689d of the Swiss Code of Obligations are hereby requested to notify the Depositary by no later than 12:15 on Friday, 6 May 1994 of the amount (and kind) of Centenary depositary receipts they represent. Proxies for deposited shares are deemed to be those institutions which are subject to the Swiss Federal Act on Banks and Saving Banks of 8 November 1934 as well as professional asset managers.

Each receipt holder is entitled to one vote in respect of each Centenary depositary receipt held. The votes attaching to the Centenary depositary receipts are not votes in respect of shares in De Beers Centenary AG but are instructions to the Depositary as to how it is required to exercise the votes in respect of De Beers Centenary AG shares deposited with it and represented by the Centenary depositary receipts.

Voting instructions must either be:

(a) deposited with or received by the Depositary at the Depositary's registered office at the offices of the Transfer Secretaries no later than 12:15 on Friday, 6 May 1994; or
(b) delivered in person by the receipt holder or his said duly authorised representative or proxy to the Depositary at the meeting.

Holders of Centenary depositary receipts in registered form wishing to attend the meeting may be required to produce their Centenary depositary receipt certificates or safe custody receipt issued by an approved bank at the meeting and to establish their identity to the satisfaction of the Depositary.

Holders of bearer Centenary depositary receipts who desire to attend the Annual General Meeting or who wish to exercise their voting rights must comply with the conditions presently in force relating to the issue of bearer Centenary depositary receipts.

The register of receipt holders will be closed from Tuesday, 3 May 1994 to Tuesday, 10 May 1994 both days inclusive.

Centenary Depositary AG, *The Board of Directors*
Langensandstrasse 27
CH-6000 Lucerne 14 Switzerland — 19 April 1994

**Under the conditions of issue of linked deferred share warrants to bearer and bearer Centenary depositary receipts referred to in the above notices holders thereof who desire to attend the Annual General Meetings will require a certificate of lodgement which must be issued by the Depositary and/or De Beers Consolidated Mines Limited by no later than Wednesday 4 May 1994 in the case of the De Beers Centenary AG meeting and Monday 16 May 1994 in the case of the De Beers Consolidated Mines Limited meeting. Details of the procedure to be followed to obtain a certificate of lodgement, as well as copies of the said conditions and the necessary forms, may be obtained from the Depositary or De Beers Consolidated Mines Limited or their Transfer Secretaries or any of their Agents listed below.**

*Transfer Secretaries:*
Consolidated Share Registrars Limited, First Floor, Edura, 40 Commissioner Street, Johannesburg 2001, South Africa (PO Box 61051, Marshalltown)
Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU

*London Secretaries/Agent:*
Anglo American Corporation of South Africa Limited, 19 Charterhouse Street, London EC1N 6QP

*Agents for De Beers and the Depositary:*
Barclays Bank PLC, London Counter Services, 168 Fenchurch Street, London EC3P 3HP
Banque Bruxelles Lambert SA, 24 avenue Marnix, B-1050 Brussels, Belguim
Swiss Bank Corporation, Paradeplatz 6, CH-8010 Zurich, Switzerland
Générale de Banque, 3 rue Montagne du Parc, B-1000 Brussels, Belgium
Barclays Bank PLC, 21 rue Laffitte, F-75428 Paris, France
Union Bank of Switzerland, Bahnhofstrasse 45, CH-8021 Zurich, Switzerland
Crédit Suisse, Paradeplatz 8, CH-8021 Zurich, Switzerland
Banque Internationale à Luxembourg, 69 rue D'Esch, L-2953 Luxembourg-Ville

The 1993 annual reports and accounts are being posted today and holders of linked units in bearer form may obtain copies from the London Secretaries/Agent.

# LEGAL NOTICES

In the High Court of Justice No 002051 of 1994
Chancery Division
IN THE MATTER OF ECONOMIC INSURANCE CO. LTD.
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 22nd March 1994 for the confirmation of the reduction of the share premium account of the above named Company [illegible]

[illegible]

CLIFFORD CHANCE
Solicitors to the Company

No. 002013 of 1994
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF CRESTON LAND & ESTATES PLC
AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 28th March 1994 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the share premium account [illegible]

[illegible]

Solicitors for the above-named Company

THE INSOLVENCY ACT 1986
ZODIAC UK LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of creditors will be held [illegible]

[illegible]

Bryanston Insurance Company Limited has obtained Court approval for its Scheme of Arrangement which received strong creditor support at a meeting in January. [illegible]

Andrew Weir Insurance Company Limited has obtained Court approval for its Scheme of Arrangement which received strong creditor support at a meeting in January. [illegible]

## CONTRACTS & TENDERS

**FOR SALE BY TENDER**
A 1990 "ROLLS ROYCE" SILVER SPUR II
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Viewing Wednesday 20th April 1994
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# COMPANY NEWS: UK

## Tea boost as Linton grows 38% to £10.6m

By David Blackwell

Higher tea production and prices in Kenya and Malawi were behind a 38 per cent rise in 1993 profits at Linton Park, the tea and coffee producer, importer and exporter that also has interests in Scottish fishing.

Pre-tax profits rose from £7.66m to £10.6m on the back of an 11 per cent rise in turnover from £129m to £143.5m. The shares rose 22p to 360p.

The latest turnover figure includes £7.1m from Kakuzi, a long-time Kenyan associate which became a subsidiary in March 1993.

The company is 60 per cent owned by Lawrie Group, itself owned by Camellia, the quoted investment company with interests which include fine art and tea plantations.

Operating profits from continuing operations increased from £9.06m to £11.5m.

Mr Malcolm Perkins, managing director, said last year had seen good demand for the high quality sun-dried arabica coffee from Kenya, and prices had improved, partly because of the producer countries' introduction of a quota system.

Tea profits had also been good in Kenya, reflecting quality improvements, but not so good in Malawi.

The cold storage, transport and distribution side of Associated Fisheries had performed well, but the fishing industry itself had had a bad year.

The pre-tax figure included an exceptional gain of £306,000 on the disposal of Macfish, compared with £500,000 last time.

Net interest payable fell from £1.91m to £1.14m, reflecting lower rates.

The tax charge rose from £1.76m to £3.1m. However, the 1992 figure included an exceptional UK tax credit of £886,000.

After minority interests of £1.94m, compared with a previous £1.66m, earnings per share increased from 31.8p to 41p.

A final dividend of 12.5p is proposed, bringing the total for the year to 15p (14p).

## Acquisition lifts Creston to profit

In the half year to December 31, Creston Land and Estates, the property concern, achieved a turnround from four years of losses. Pre-tax profits of £14,000 were achieved against losses of £57,000.

The result included £143,000 from the property activities of Co-ordinated Land and Estates, acquired last June, offset by losses of £129,000 on continuing operations.

Turnover moved ahead to £2.84m (£2.4m). Earnings per share were 0.03p (0.25p losses).

## Cheaper at half the price?

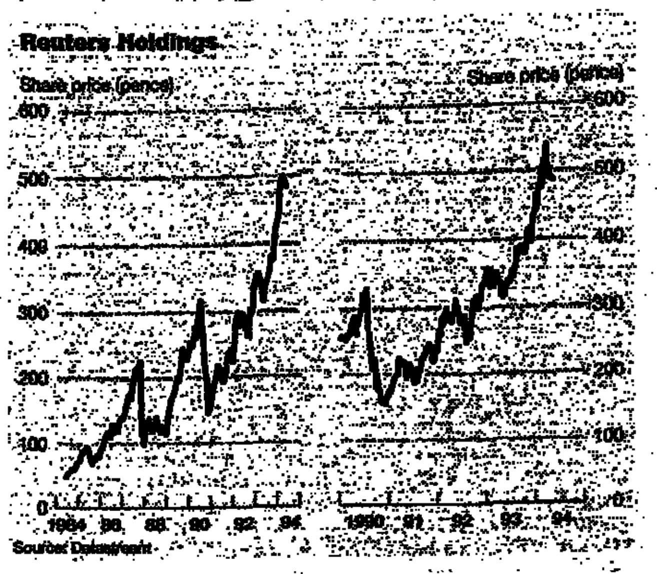
### Peter John examines Reuters' share split exercise

Shares in Reuters Holdings, the news and financial information group, closed yesterday at 484p, their first day of trading after a 4-for-1 share split.

The move ended Reuters run as the most expensive single share in the FT-SE 100 index. Meanwhile, the US-traded American Depositary Receipts have only been halved from their previous level of about $87 (£59.50). Each ADR represents six shares.

Share splits are commonplace in the UK, particularly among FT-SE 100 companies but the logic behind them is hard to pin down.

Companies say splits make their shares more marketable and more attractive to private investors.




The same rationale is used for consolidations. When shares are trading below, say, 30p relatively small trades can markedly affect the price – and this volatility can lead to illiquidity. Saatchi & Saatchi, the advertising group, carried out a 1-for-10 consolidation in June 1992 when the shares stood at about 15p each.

The dentist from Halifax with a few hundred pounds to spare might be interested in 100 Glaxo shares at 600p each but doesn't like the idea of buying 50 at twice that price and while she might like the cachet of owning 4,000 Saatchi shares she might not appreciate the fees.

That is the logic that persuaded Glaxo to have two share splits in the company's glory period between 1989 and 1991. The pharmaceuticals group said: "The aim is to bring a price down to a level that makes shares more available to shareholders. History shows this is usually done around the £14 to £16 limit."

Reuters takes a similarly pragmatic line. Mr Mike Cooling, corporate relations manager, says: "There is always an assumption that it will assist in liquidity. You could argue that if you reduce the price of the stock, the dealing size becomes greater for institutional trading. Both arguments sound logical but there is no proof either way."

However, there is a strong case for allowing a share price to appreciate without splits, particularly for fund managers, who make up some 75 per cent of the UK equity market. Ahead of the split, Reuters' spread – the difference between the bid and asking prices of the shares – was quoted by marketmakers at 15p. That translates to a spread of 0.75 per cent.

The new spread for Reuters is 7p on a share price of about 500p guaranteed for a single trade of up to 100,000 shares. This translates to a percentage of 1.4 per cent.

Even Mr Brian Newman, analyst with agency broker Henderson Crosthwaite and a long-time supporter of the shares, finds the process slightly mysterious. "It doesn't stand up to too close examination" he says.

There have been very few analyses of share splits and most fund managers tend to echo the sentiments of Mr Peter Jones, investment director of M&G, the unit trust group. "In theory it makes not a slight bit of difference," he says. "Personally I would always support a share split where it is into double figures but ask me to prove why and I can't."

However, Mr Warren Buffet, the billionaire Nebraskan investor, wrote a damning condemnation of the practice for the annual meeting of Berkshire Hathaway, his US investment group. "Brokers, using terms such as 'marketability' and 'liquidity' sing the praises of companies with high share turnover . . . but investors should understand that what is good for the croupier is not good for the customer. A hyperactive stock market is the pickpocket of enterprise."

Perhaps the reasoning boils down to something as basic as the British fear of standing out from the crowd. "We want to have a share split because we were the only stock trading above £20 and that makes us an exception," says Mr Mike Cooling of Reuters. "People notice it and it makes people presume the price is more volatile."

## NEWS DIGEST

### Usborne shares suspended

Shares in Usborne were suspended yesterday at 19½p after the group warned of substantial interim losses following problems on the pig production side.

Dealings have been halted until publication of the interim results, expected next month after completion of an investigation and review of the pig operations.

Usborne said arrangements to date, including a long term supply contract with Unigate, had not been sufficient to insulate pig production activities from the impact of the weak market.

The conditions, combined with a deterioration in productivity, had contributed to substantial trading losses on pig activities.

The difficulties had been further compounded by a breakdown in management control of the pig operations, including accounting systems, as a result of which the extent of the decline was not immediately recognised.

The group's main grain trading activities had been unaffected by the problems, although first-half profits were lower than last time.

### HCG Lloyd's net asset value at 101.4p

HCG Lloyd's Investment Trust reported a net asset value of 101.4p per share as at December 31.

Net revenue for the period from incorporation on May 27 to the year-end amounted to £199,000 for earnings of 1.19p per share.

A final dividend of 0.3p is recommended.

### Sharp setback for Densitron Intl

In line with its warning in January, Densitron International yesterday reported a sharp setback in annual profits.

The Kent-based electronic components group blamed the decline over the 1993 year – from £1m, restated for a change in the treatment of goodwill, to £606,000 pre-tax – on a substantial contractual problem and disappointing sales in the US.

Turnover improved 27 per cent to £67.9m (£53.3m) although directors stressed that the increase was largely attributable to currency influences. "In reality sales were essentially flat and while there was a small increase in gross margin, there was a large enough real rise in costs to reduce the outcome," they added.

The proposed final dividend is maintained at 1p, making 1.5p (1.4p) for the year, barely covered by earnings of 1.54p (3.89p) per share.

### Warner Estate property deals

Warner Estate Holdings has bought 19 properties from Sydney and London Properties for about £30m cash. It is selling on 10 of the properties for more than £23m.

The retained portfolio comprises a mixture of office and industrial premises with one retail outlet in locations throughout England and Wales. Their current net rental income totals more than £1.4m.

### Sunset + Vine £2m expansion

Sunset + Vine, the television production company, is buying Mobile Image, the outside broadcast facilities group, for £2m cash from National Broadcasting Company of the US.

As part of the deal Mobile will be contracted to supply facilities for NBC European sports coverage.

In the year to December 31 Mobile reported operating profits of £152,000 (£57,000) before non-recurring items and a £75,000 bad debt charge. Turnover was £3.02m (£3.25m). Net assets were £1.71m.

Sunset said that broadcasters were increasingly contracting out the coverage of sporting events and the purchase would strengthen its ability to tender for these.

### Britannia's better second half

Britannia Group, the property developer and builder, returned to profits in the second half of 1993, but still ended the year £503,000 in the red pre-tax, against £383,000.

There was a surplus of £362,000 for the six months to December 31; but there was £750,000 charge for land provisions which left the year-end deficit higher.

Turnover expanded from £29.3m to £36.3m.

Directors explained that the group's strategy of focusing on housebuilding and construction "is beginning to bear fruit while our divestment from commercial property has continued both during the year and into 1994".

They said they expected to return to the dividend list in the current year.

## COMPANY NEWS: UK AND IRELAND

# Waste Management up 12% in first quarter

By Bronwen Maddox, Environment Correspondent

Waste Management International, the environmental services group, saw first quarter pre-tax profits rise by 12.4 per cent to £38.7m, despite northern Europe's slowness in recovering from recession.

Mr Edwin Falkman, chief executive, said that volumes in northern Europe in January and February had been below expectations, partly because of bad weather, but that the group was "roughly on target for the full year".

Price increases in the UK, Italy, France and Latin America accounted for nearly a fifth of the 16 per cent rise in turnover to £256m (£220.9m).

The group's formidable rate of acquisition – 48 deals in 1993 – also pushed up turnover by 9 percentage points. However WMI, which is the UK quoted arm of WMX Technologies of the US, said that currency movements cut turnover by some £11m.

Italy, one of last year's main disappointments, contributed less than 30 per cent of turnover in the first quarter.

Edwin Falkman: group was roughly on target for the full year

Cost cutting, particularly in the UK, allowed operating profits to rise by 22 per cent to £41.9m (£34.3m), but an increase in net interest payable held back pre-tax profits.

Tax planning as well as a larger contribution from low-tax regions such as Hong Kong pulled the rate down to 26.1 per cent (28.4 per cent).

WMI expects the tax rate for the full year to be between 26 per cent and 27 per cent.

Improvement at Hong Kong and UK acquisitions accounted for the sharp leap to £4.7m (£1.8m) in payments to minority interests. That held the rise in earnings per share to 6.4p (6.1p).

Mr Falkman said: "we continue to look at making strategic acquisitions, particularly in Germany and the UK. The weak economic conditions create good acquisition opportunities".

See Lex

# CentreGold up 24% at £2.6m

By Paul Taylor

New product launches, higher US sales and the growing popularity of personal computer software in CD-Rom format helped CentreGold, the computer games publisher and distributor, offset margin pressures and turn in a 24 per cent increase in interim pre-tax profits.

The group, which was floated in October, reported pre-tax profits of £2.6m in the six months to January 31, up from £2.09m, on turnover ahead by 43 per cent to £52.6m (£36.6m.)

Earnings per share increased to 4.7p (4.46p) and the initial interim dividend is set at 0.8p. The shares, which were placed at 125p, slipped by 2p to close at 134p.

Mr Geoff Brown, chief executive, said the results were "fairly pleasing". The company had countered margin pressures by achieving substantial increases in turnover and market share.

Turnover from the software publishing business increased by 81 per cent to £26.2m. Cartridge software sales more than doubled to £19.2m (£8.5m), reflecting the launch of the group's first Nintendo product and the growth of the US publishing business.

US publishing sales jumped to £8.5m (£2.7m) and overseas sales now account for 34 per cent of turnover. In addition Mr Brown said sales of higher margin PC-CD games had increased dramatically. These gains helped offset lower margins on cartridge software sales in Europe, reflecting the increased costs of producing higher specification cartridges which could not be fully passed on to consumers. As a result operating profits from publishing slipped to £1.38m (£1.45m).

In contrast, operating profits from software distribution grew to £1.18m (£646,000) on turnover increased by 19 per cent to £26.4m. This reflected strong growth in sales to specialist retail chains and higher export sales.

# DCC plans I£25m flotation

By Tim Coone in Dublin

DCC, the Dublin-based industrial holding company, is to seek a quotation on the London and Dublin stock exchanges in May or June through a placing of new equity.

Mr Jim Flavin, group chief executive said: "The primary purpose of the flotation is to get a listing and so we are fairly relaxed over the sum we are planning to raise, but it will not be over I£25m (£24.3m)."

Following a 5-for-1 share split last month, there are now 71m shares in issue, 95 per cent of which are held by institutions.

DCC has gearing of only 6 per cent according to two stockbrokers reports published yesterday. UBS Global Research also estimates pre-tax profits will advance by about 40 per cent this year to I£21.3m, giving earnings per share of 19p on turnover of I£330m.

Bank of Ireland, formerly the biggest shareholder, sold its 20 per cent stake last December at I£10 per share before the share split.

The flotation price is expected to be between 250p and 300p, for a market capitalisation of more than I£200m.

Mr Flavin expected the company to be of interest to overseas investors "wanting to take a view of the Irish market". About 54 per cent of profits arise in Ireland with 45 per per cent in the UK.

DCC's operations are concentrated in five divisions: food, energy, print and publishing, computer products distribution and healthcare. Two thirds of earnings are derived from the food and energy sectors and a further 19 per cent from print and publishing.

Mr Flavin plans growth to come "through organic growth and bolt-on acquisitions". Some I£61m has been spent on acquisitions in the past three years. The issue is to be underwritten by AIB Capital Markets and JO Hambro Magan. UBS in London and Davy in Dublin have been appointed joint stockbrokers.

# Whitecroft nets £6m on option sale

By Ian Hamilton Fazey, Northern Correspondent

Whitecroft, the Cheshire-based light fittings, fire doors and medical fibres manufacturer, has made nearly £6m cash profit by selling an option on a Stockport retail centre.

The money will further reduce Whitecroft's borrowings. These stood at £30m at its half year end last December, but then fell to less than £25m after the sale of a property development at Hillsborough, Sheffield.

The option to buy the Stockport centre was a condition of the centre's sale – by a then distressed Whitecroft – at a reduced price to Confederation Life Insurance in 1991. It was in Whitecroft's books at £800,000 and produced no income. Confederation Life is paying £6.75m for it.

Whitecroft's financial year has just ended, so it cannot be specific about the effect. However, borrowings are almost certainly now below £20m. Gearing was 100 per cent after the Hillsborough deal.

The group was nearly brought down in the recession by the falling value of a property portfolio built up in the late 1980s. It has since reverted to its core manufacturing businesses. Remaining properties are two medium-sized office developments in the south of England, but these are now unlikely to be sold until they are fully let.

# Lucas sets Simpson salary at £340,000

By Andrew Bolger

Lucas Industries is paying Mr George Simpson, its new chief executive, an annual salary of £340,000.

The figure is well below what the automotive and aerospace components group was rumoured to have offered Mr Simpson, the former deputy chief executive of British Aerospace and chairman of Rover Group, BAe's vehicles subsidiary.

Mr Simpson's basic salary is in line with the £355,000 which Sir Anthony Gill earned last year while acting as both chairman and chief executive. However, bonuses could boost Mr Simpson's annual salary to £400,000.

He has been granted options on just over 700,000 Lucas shares at 194p each, which cannot be exercised for another three years.

# NatWest checks cut risk on large company loan book

By John Gapper, Banking Editor

National Westminster Bank's policy of stringent and lengthy credit checks on large companies seems to have resulted in a loan portfolio which is much less risky than that of other large UK banks, according to research published yesterday.

A report compiled by BZW, the investment banking arm of Barclays, based on Dun & Bradstreet data covering 2.2m companies, found that NatWest had a significantly lower proportion of high risk lending than its peers.

Although NatWest had the highest percentage of high risk lending to small companies, only 14 per cent of its loans to large companies involved high risk companies compared with 35 per cent for other banks.

This means that 28 per cent of its overall lending is to companies falling in the two most risky categories of five bands devised by Dun & Bradstreet, compared with about 38 per cent for each of the other big clearing banks.

The BZW research used a more detailed analysis of 41,400 borrowing companies with £25.9bn in debt to conclude that NatWest's avoidance of credit losses from large corporate failures in recent years was more than good fortune.

It said a possible explanation was that it had resisted the trend towards giving rapid decisions on loan proposals, retaining "a relatively lengthy credit assessment process".

It added that the relatively high proportion of high risk lending to large companies by the other big clearing banks indicated that they were relying too heavily on the assumption that large company size was equivalent to low risk.

However, BZW pointed out: "Large corporate lending could be more risky than is generally thought by bankers, and furthermore, it is unlikely that the low margins on large corporate lending are approaching the levels required to compensate for the risk."

The report found that although there was an overall improvement in credit quality among banks' loan portfolios in the second half of last year, their books remained worse at the end of the year than at the end of 1992.

Among the large clearing banks, only NatWest had grown its share of the lending market in the past two years. Barclays, Lloyds and Midland had all lost share, while smaller regional banks had made significant gains.

# Hickson chief's payments jump to £183,000

By David Wighton

Mr Dennis Kerrison, chief executive of Hickson International, saw his total emoluments jump by 45 per cent from £126,000 to £183,000 last year when the chemicals company's profits fell by 9 per cent to £22.1m.

The increase partly reflects his promotion in 1992 when he was a director of the group for only nine months. On an annualised basis his salary rose by 15 per cent to £137,000.

He also received a performance-related bonus of £34,000 (£8,000) linked to targets for profits, cashflow and "personal objectives". The company said Mr Kerrison received no bonus triggered by profits and only a minimal payment for cashflow. The bulk of the payment related to "the way he has developed and driven forward the business".



# US resists broadening of aluminium cuts

By Kenneth Gooding, Mining Correspondent

Aluminium producing countries are at odds about how Brazil, Venezuela and the Gulf States could be encouraged to join in international efforts aimed at reducing world output by between 1.5m and 2m tonnes a year.

This subject will top the agenda when the six countries and the European Union – which agreed to make the cuts as part of an unprecedented trade deal in January – meet again in Brussels this week.

Western companies so far have announced annual cuts totalling more than 900,000 tonnes to last two years and the Russian government has promised cuts of 500,000 tonnes. So there is considerable disappointment that some important aluminium-producing countries not represented at the trade talks have failed to follow this lead.

The European industry is now urging EU trade delegates formally to invite Brazil, Venezuela and the Gulf States into the production-cuts scheme. It suggests that the reluctance of these countries to share the industry's pain by cutting output by about 10 per cent is understandable because they did not take part in the original discussions.

However, US trade delegates are strenuously resisting any broadening of the scheme on the advice of Justice Department lawyers, who are worried about anti-trust problems. The more countries involved in the scheme, the more it begins to look like an illegal cartel, the lawyers argue. It was for this reason that Japan, one of the biggest aluminium consuming nations, was excluded from the negotiations even though it asked to join in.

Brazil's aluminium smelters have an annual capacity of more than 1.3m tonnes and Venezuela's can produce about 640,000 tonnes. The Gulf States' capacity is roughly 800,000 tonnes. So far only Alba (Aluminium Bahrain) has announced cuts – 20,000 tonnes – as a way of "supporting the present international drive to re-establish balance between supply and demand in the primary aluminium market".

The industry's determination to re-establish that balance has resulted in the aluminium price climbing by about 25 per cent since it reached an all-time low of 47.2 US cents a pound in November.

Some analysts suggest the rising price might result in some companies either not going ahead with planned cuts or reversing those already made. With this in mind, Canada will be pressing at this week's Brussels meeting for more "transparent" or precise statistics from the industry.

It is understood that Russia has made a first stab at presenting its production statistics to the International Primary Aluminium Institute, the London-based trade association, in time for the meeting.

# Rubber pact negotiations set to resume in the autumn

Negotiations on a producer/consumer rubber pact are to resume in the autumn after the failure of this month's 10-day session to agree on price stabilisation measures, reports Reuter from Geneva.

Producer and consumer states were reported to have made good progress at the talks, which ended on Friday, but remained too far apart on key price issues to finalise a deal to replace the 1987 International Natural Rubber Agreement, which expires in December.

"We still differ on the reference price, the price range, and how to review and revise the price," consumer delegate Mr Derek Taylor, representing the European Union, said after a last-ditch meeting failed to bridge the differences.

Resumption of negotiations between the 29 rubber exporting and importing states had been tentatively scheduled for October 3-14 in Geneva, according to a statement from the conference secretariat.

"The core issues have been narrowed down but we now have to get down to the nitty gritty," Mr Taylor said.

The Kuala Lumpur-based International Natural Rubber Organisation, which administers the pact, will review the outstanding issues at a meeting in May, to prepare the ground for an October deal.

"The conference has allowed us to clarify where we stand... we now have to do more work," said Mr Ahmad Zubeir, a Malaysian producer representative.

The current pact, unlike other commodities agreements, has been reasonably successful in offering consumers orderly markets in return for supporting Inro, and by protecting producers from sudden price slumps through buffer stock buying operations.

Consumers wish to maintain the current deal's market orientation and they seek a future reference price at or close to the current 196.84 Malaysian/Singapore cents a kilogram. Led by the United States and the European Union, which together consume 40 per cent of world supplies, they have said they cannot justify any imposed market-lifting measures.

But producers want a reference price above 200 cents.

They argue that the market price, although temporarily buoyed by seasonal tightness and economic recovery, is too low to encourage smallholders to stay in business.

"But we have to know what price they are seeking and why," Mr Taylor said. "Producers have not presented the economic rationale for higher prices amid sufficient supply," explained a trade expert. "Their approach is too much tied to past trends. We need a price that is economically justified and not one which is the product of political pressures."

Consumer delegates added that the current pact cost them enough. "Trying to push prices up and hold them there would be prohibitively expensive," one said.

Nevertheless, tyre manufacturers have agreed that they would prefer the long-term security of supplies to rock-bottom prices now.

# Peru's mining giant offers tempting challenge

**Sally Bowen** reports on the problems and rewards awaiting Centromin's new owner

Nearly 1,000m above sea level, on the barren, treeless plateau of the high Andes, the humble houses of Cerro de Pasco cluster around a gaping open-cast pit. Way below the rim, front-loaders scoop up ore while lorries trundle to the top to disgorge their loads. Miners, lamps on their headgear blazing, emerge from the warren of tunnels beneath the mountainside.

Though the technology and work practices look antiquated, this is one of Peru's richest lead and zinc mines. It has been continuously worked for 90 years, yet proven reserves assure another 20 years of output and potential reserves maybe 40 more.

Cerro de Pasco is the largest and most coveted of the seven production units owned by Centromin, Peru's state mining and refining giant, which goes on the auction block at the end of this month. Besides these mines – six of them polymetallic, one, Cobriza, copper only – Centromin's new owner will inherit four hydro-electric power stations, 270km of railway, more than 11,700 workers, 12,000 dwellings and four dozen schools.

Not surprisingly, few companies have seriously contemplated this daunting challenge. Chief interest has come from Britain's RTZ, Mexico's huge silver producer Penoles and Gencor of South Africa. Canada's Cominco, and Sweden's Boliden, as well as Frisco, a medium-sized Mexican mining concern, have also made recent evaluations.

Centromin produces some 45 per cent of all Peru's lead and zinc, 40 per cent of its silver and 16 per cent of its copper. Annual sales are about $400m, with 70 per cent of production exported.

The base price for the complex but intimately interrelated operation has been set at $280m. Bidders will have to put up another $60m in debt papers (at today's secondary market prices, that means an outlay of $30m).

Additionally, at least $240m must be pledged in fresh, long-overdue investment over three years. The La Oroya smelter and refinery complex is a notorious polluter and studies indicate expenditure on the most basic environmental improvements will run to $130m-plus.

So is Centromin a bargain or not? Mr Hernan Barreto, a private sector businessman who has presided the past two years of company restructuring, is Centromin's keenest salesman. He stresses it is "very much a going concern", with 1991 losses of $174m transformed into $19m profits in 1992. Despite higher productivity, last year's profits fell slightly to about $15m – low 1993 international prices cost Centromin $100m, says Mr Barreto.

"We also boast a positive cash flow, quality products that command premiums on world markets, excellent professionals and a prestigious mining tradition," he says. There have been no strikes for three full years.

A hefty plus for the eventual buyer could be the four hydro-electric power plants, whose 183 megawatt capacity and 910km of transmission lines could easily be expanded and the surplus sold – as already happens on a moderate scale – to the national grid. Peru's energy deficit has aroused keen foreign investor interest and Centromin's generating plants alone have been valued at around $300m.

Then the company has accumulated losses of $260m which could prove a "very interesting tax shelter", according to Mr Barreto.

But the heart of this grand old company – born in 1902 as US-owned Cerro de Pasco Corporation and nationalised by Peru's left-wing military government in 1974 – is its mines and refinery complex. Of the former, Cerro de Pasco is the star. Last year it produced 310,000 tonnes of zinc concentrate, out of the company total of 500,000 tonnes, and 116,000 tonnes of lead concentrate (total company output was 149,000 tonnes).

Cerro's open pit has proven reserves of some 10m tonnes, enough for just seven years operation. Future expansion is likely to focus on the underground mine's 47m tonnes of proven and probable reserves.

A promising deposit called Matagente, part of the same orebody, has a possible 37m tonnes more.

Of the remaining six mines, most require substantial investment in new machinery. The copper-only Cobriza mine is nearly exhausted and the huge copper deposits of Antamina – formerly owned by Mineroperu – have been included in the Centromin package to replace it. Development costs for Antamina could top $300m.

The multiple smelter and refinery complex of La Oroya, meanwhile, is one of the world's largest and most complicated. It refines copper, zinc and lead and produces a grand total of 20 mineral and chemical by-products including antimony, bismuth, tellurium and selenium.

Centromin's new owner will also inherit a varied portfolio of mining concessions totalling 256,000 hectares (632,000 acres). Among them are promising but only superficially explored deposits such as gold-bearing Quiqui, near Cerro de Pasco. Mr Barreto says the disseminated deposit, still at the "grass-roots stage", has similar characteristics to Newmont Mining's hugely profitable new Yanacocha venture.

Whoever eventually acquires Peru's giant will find it a friendly one. Management and, in general, workers welcome privatisation. They have soldiered on for years on shoestring modifications – a brand-new $35m oxygen plant, mainly financed with an Andean Development Corporation loan, is almost the only major recent investment – making up in ingenuity and commitment for the absence of cash.

"My hope is that the new owners will transform Centromin into a great employer once again," says Mr José Carrascal, general manager at La Oroya. That hope is fervently echoed by the 60,000 or so Peruvians who directly depend on Centromin for their livelihood – and by tens of thousands more in Centromin's mini-kingdom of the high Andes.

MARKET REPORT

# Coffee rallies after early setback

COFFEE futures opened sharply lower at the London Commodity Exchange yesterday morning reflecting hefty losses in New York on Friday following news Brazil was to release coffee stocks internally. But prices bounced in a move some traders linked to the Brazilian growers' association voicing its disapproval of the plan and threatening legal action.

The near July position closed $9 down at $1,437 a tonne after touching a low of $1,428.

The COCOA was roused from its torpor by a lively New York market. Traders said there was nothing fundamental behind the interest but some cited the bullish implications of a trader's report showing a large net long speculative position. The July position ended at $917 a tonne, up $16, after backing off resistance at $920.

At the London Metal Exchange COPPER'S early rally, encouraged by commission house buying, had dwindled by the close as overhead selling and resistance took the three months price from a high of $1,894 a tonne to $1,885, a net loss of $2 and still within the recent $1,880-$1,900 range.

Attempts by ALUMINIUM to break above $1,300 resistance (for three months delivery) failed repeatedly during the day as the market ran into profit-taking and speculative selling. The price ended at $1,298 a tonne, down $7.50.

LEAD traded routinely but continued to find support on dips towards $450 a tonne, where underlying trade interest was again emerging.

News that the US Federal Reserve wanted to raise short-term interest rates had little impact on LME trading, dealers said.

But the news caused some slippage in precious metal prices, which had previously firmed slightly in the afternoon, spurred by fund buying on the New York SILVER futures market, which encouraged participation in gold.

In London cash silver closed 3 cents up at $5.25¾ a troy ounce, while GOLD put on 45 cents at $377.70 an ounce.

Compiled from Reuter

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE** (Prices from Amalgamated Metal Trading)

| | Cash | 3 mths |
|---|---|---|
| **ALUMINIUM, 99.7 PURITY ($ per tonne)** | | |
| Close | 1273.5-4.5 | 1298.5-9.0 |
| Previous | 1282.5-3.5 | 1306.5-7.0 |
| High/low | 1275 | 1304/1294 |
| AM Official | 1275-5.5 | 1299-300 |
| Kerb close | | 1297-8 |
| Open int. | 264,697 | |
| Total daily turnover | 94,094 | |
| **ALUMINIUM ALLOY ($ per tonne)** | | |
| Close | 1340-50 | 1324-6 |
| Previous | 1335-45 | 1323-4 |
| High/low | | 1325/1315 |
| AM Official | 1325-30 | 1315-20 |
| Kerb close | | 1323-6 |
| Open int. | 4,392 | |
| Total daily turnover | 1,004 | |
| **LEAD ($ per tonne)** | | |
| Close | 438-9 | 452-3 |
| Previous | 440.5-1.5 | 455-6 |
| High/low | 436/435 | 455/452 |
| AM Official | 436-6.5 | 450.5-1.5 |
| Kerb close | | 463-4 |
| Open int. | 34,816 | |
| Total daily turnover | 8,959 | |
| **NICKEL ($ per tonne)** | | |
| Close | 5420-30 | 5495-500 |
| Previous | 5510-20 | 5580-85 |
| High/low | | 5570/5495 |
| AM Official | 5470-75 | 5540-45 |
| Kerb close | | 5500-10 |
| Open int. | 54,351 | |
| Total daily turnover | 15,242 | |
| **TIN ($ per tonne)** | | |
| Close | 5335-45 | 5395-400 |
| Previous | 5390-400 | 5445-55 |
| High/low | | 5430/5380 |
| AM Official | 5330-40 | 5390-95 |
| Kerb close | | 5410-20 |
| Open int. | 18,426 | |
| Total daily turnover | 6,145 | |
| **ZINC, special high grade ($ per tonne)** | | |
| Close | 927-8 | 948-9 |
| Previous | 927-8 | 948-8.5 |
| High/low | | 951/943.5 |
| AM Official | 927-8 | 948.5-49 |
| Kerb close | | 943-4 |
| Open int. | 97,871 | |
| Total daily turnover | 31,921 | |
| **COPPER, grade A ($ per tonne)** | | |
| Close | 1885.5-6.5 | 1886-7 |
| Previous | 1883-4 | 1882-3 |
| High/low | 1885/1884 | 1896/1881 |
| AM Official | 1884-4.5 | 1883-3.5 |
| Kerb close | | 1884-5 |
| Open int. | 188,304 | |
| Total daily turnover | 74,204 | |

LME AM Official £/$ rate: 1.4736
LME Closing £/$ rate: 1.4705
Spot:1.4740 3 mths:1.4700 6 mths:1.4676 9 mths:1.4686

**HIGH GRADE COPPER (COMEX)**

| | Close | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| Apr | 87.10 | -0.05 | 87.10 | 86.60 | 358 | 84 |
| May | 87.05 | -0.10 | 87.75 | 86.40 | 21,354 | 39 |
| Jun | 87.25 | -0.05 | - | - | 908 | 42 |
| Jul | 87.50 | - | 88.10 | 86.85 | 20,533 | 74 |
| Aug | 87.50 | - | - | - | 434 | 5 |
| Sep | 87.55 | +0.05 | 88.10 | 87.00 | 5,182 | 12 |
| Total | | | | | 57,389 | 548 |

### PRECIOUS METALS

**LONDON BULLION MARKET** (Prices supplied by N M Rothschild)

| Gold (Troy oz.) | $ price | £ equiv. |
|---|---|---|
| Close | 377.50-377.90 | |
| Opening | 377.60-378.00 | |
| Morning fix | 377.35 | 256.404 |
| Afternoon fix | 378.10 | 255.957 |
| Day's High | 379.00-379.40 | |
| Day's Low | 376.70-377.10 | |
| Previous close | 377.00-377.50 | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 3.37 | 6 months | 3.78 |
| 2 months | 3.42 | 12 months | 4.22 |
| 3 months | 3.51 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 356.15 | 524.60 |
| 3 months | 360.40 | 529.50 |
| 6 months | 364.90 | 535.25 |
| 1 year | 375.25 | 550.00 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 379-382 | 258-261 |
| Maple Leaf | 388.05-390.50 | |
| New Sovereign | 89-92 | 61-64 |

### Precious Metals continued

| | Sett price | Day's change | High | Low | Open int. | Vol. |
|---|---|---|---|---|---|---|
| **GOLD COMEX (100 Troy oz.; $/troy oz.)** | | | | | | |
| Apr | 376.8 | -0.9 | 378.1 | 376.7 | 690 | 148 |
| May | 377.6 | -0.9 | 378.0 | 378.0 | - | - |
| Jun | 378.5 | -0.9 | 380.7 | 378.4 | 84,572 | 28,888 |
| Aug | 381.2 | -0.8 | 383.2 | 381.1 | 11,360 | 394 |
| Oct | 384.1 | -0.8 | 385.1 | 383.5 | 5,342 | 179 |
| Dec | 387.1 | -0.7 | 389.0 | 386.9 | 14,164 | 199 |
| Total | | | | | 141,868 | 29,939 |
| **PLATINUM NYMEX (50 Troy oz.; $/troy oz.)** | | | | | | |
| Apr | 390.2 | -5.1 | 393.5 | 390.2 | 80 | 21 |
| Jul | 393.6 | -5.1 | 404.0 | 391.0 | 19,091 | 2,095 |
| Oct | 395.0 | -5.1 | 406.0 | 395.0 | 1,609 | 38 |
| Jan | 396.1 | -5.1 | 406.0 | 398.0 | 680 | 73 |
| Apr | 397.6 | -5.1 | 407.5 | 397.5 | 683 | 6 |
| Total | | | | | 22,543 | 2,233 |
| **PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)** | | | | | | |
| Jun | 131.60 | -0.90 | 134.00 | 131.50 | 3,453 | 164 |
| Sep | 131.60 | -0.90 | - | - | 427 | 4 |
| Dec | 131.60 | -0.90 | - | - | 261 | - |
| Total | | | | | 4,141 | 168 |
| **SILVER COMEX (100 Troy oz.; Cents/troy oz.)** | | | | | | |
| Apr | 526.0 | +2.8 | - | - | 1 | - |
| May | 526.7 | +2.7 | 535.5 | 524.0 | 58,415 | 14,840 |
| Jun | 528.7 | +2.7 | 537.0 | 528.0 | 11 | 8 |
| Jul | 531.2 | +2.9 | 540.0 | 528.0 | 25,100 | 3,185 |
| Sep | 535.6 | +2.9 | 543.0 | 532.5 | 5,537 | 386 |
| Dec | 542.6 | +3.0 | 551.5 | 539.5 | 10,532 | 571 |
| Total | | | | | 111,574 | 18,902 |

### ENERGY

| | Latest price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| **CRUDE OIL NYMEX (42,000 US galls. $/barrel)** | | | | | | |
| May | 16.64 | +0.06 | 16.74 | 16.43 | 62,561 | 61,081 |
| Jun | 16.48 | +0.02 | 16.58 | 16.28 | 106,874 | 60,054 |
| Jul | 16.42 | +0.04 | 16.50 | 16.24 | 45,328 | 17,176 |
| Aug | 16.43 | +0.07 | 16.46 | 16.20 | 29,662 | 6,523 |
| Sep | 16.42 | +0.04 | 16.47 | 16.20 | 22,438 | 3,455 |
| Oct | 16.45 | +0.03 | 16.45 | 16.45 | 12,628 | 2,985 |
| Total | | | | | 418,932 | 155,691 |
| **CRUDE OIL IPE ($/barrel)** | | | | | | |
| Jun | 15.15 | +0.03 | 15.26 | 15.00 | 73,385 | 18,154 |
| Jul | 15.08 | -0.02 | 15.20 | 14.96 | 26,378 | 5,368 |
| Aug | 15.08 | +0.01 | 15.15 | 14.98 | 15,707 | 1,593 |
| Sep | 15.10 | +0.02 | 15.17 | 15.05 | 9,191 | 1,130 |
| Oct | 15.21 | +0.02 | 15.21 | 15.10 | 3,398 | 303 |
| Nov | 15.14 | -0.10 | 15.17 | 15.14 | 2,991 | 361 |
| Total | | | | | 138,210 | 25,144 |
| **HEATING OIL NYMEX (42,000 US galls; c/US galls)** | | | | | | |
| May | 47.55 | +0.15 | 47.75 | 47.00 | 37,448 | 12,650 |
| Jun | 47.45 | +0.15 | 47.70 | 46.95 | 36,569 | 13,228 |
| Jul | 47.70 | +0.20 | 47.90 | 47.15 | 33,077 | 8,531 |
| Aug | 48.25 | +0.20 | 48.25 | 47.85 | 12,688 | 2,050 |
| Sep | 49.35 | +0.35 | 49.40 | 48.80 | 9,521 | 852 |
| Oct | 49.90 | +0.05 | - | - | 7,050 | 344 |
| Total | | | | | 167,885 | 39,827 |
| **GAS OIL IPE ($/tonne)** | | | | | | |
| May | 151.50 | +3.25 | 152.25 | 149.75 | 28,522 | 6,662 |
| Jun | 150.00 | +3.50 | 150.50 | 148.00 | 19,988 | 3,770 |
| Jul | 150.25 | +3.50 | 150.75 | 148.75 | 14,107 | 1,650 |
| Aug | 151.50 | +3.75 | 151.50 | 149.75 | 5,202 | 889 |
| Sep | 152.50 | +3.50 | 152.50 | 150.50 | 4,675 | 437 |
| Oct | 154.50 | +3.00 | 154.50 | 154.00 | 5,497 | 125 |
| Total | | | | | 13,886 | 10,467 |
| **NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)** | | | | | | |
| May | 2.195 | +0.008 | 2.205 | 2.170 | 17,431 | 6,955 |
| Jun | 2.225 | +0.029 | 2.230 | 2.185 | 16,256 | 8,998 |
| Jul | 2.205 | +0.022 | 2.215 | 2.175 | 12,408 | 3,922 |
| Aug | 2.190 | +0.012 | 2.200 | 2.180 | 10,258 | 1,128 |
| Sep | 2.195 | +0.014 | 2.195 | 2.180 | 10,892 | 849 |
| Oct | 2.225 | +0.017 | 2.225 | 2.208 | 6,756 | 483 |
| Total | | | | | 125,215 | 28,335 |
| **UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)** | | | | | | |
| May | 50.60 | +0.25 | 50.60 | 49.90 | 52,392 | 18,827 |
| Jun | 50.95 | +0.17 | 51.15 | 50.40 | 38,604 | 9,835 |
| Jul | 50.90 | +0.31 | 50.90 | 50.30 | 18,910 | 2,010 |
| Aug | 50.30 | +0.27 | 50.30 | 49.80 | 11,426 | 932 |
| Sep | 49.45 | +0.18 | 49.50 | 49.05 | 8,933 | 464 |
| Oct | 47.50 | -0.22 | 47.50 | 47.50 | 1,227 | 61 |
| Total | | | | | 131,593 | 32,130 |

### GRAINS AND OIL SEEDS

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| **WHEAT LCE (£ per tonne)** | | | | | | |
| May | 117.50 | -1.35 | 20.00 | 17.00 | 1,160 | 114 |
| Jun | 117.25 | -1.65 | 20.50 | 16.00 | 1,118 | 120 |
| Sep | 95.90 | -1.75 | 96.25 | 95.50 | 435 | 29 |
| Nov | 96.85 | -1.60 | 98.00 | 96.50 | 1,303 | 58 |
| Jan | 98.50 | -1.70 | 99.90 | 98.55 | 739 | 11 |
| Mar | 99.75 | -2.00 | 01.75 | 01.25 | 325 | 28 |
| Total | | | | | 5,103 | 380 |
| **WHEAT CBT (5,000bu min; cents/60lb bushel)** | | | | | | |
| May | 328/0 | -1/2 | 332/0 | 326/6 | 53,265 | 11,325 |
| Jul | 318/6 | +3/0 | 322/4 | 315/2 | 135,430 | 39,825 |
| Sep | 321/4 | +2/2 | 324/0 | 318/4 | 24,700 | 2,555 |
| Dec | 329/6 | +2/0 | 333/2 | 326/2 | 26,575 | 2,375 |
| Mar | 332/0 | +2/0 | 335/0 | 331/2 | 1,860 | 30 |
| May | 329/0 | +3/0 | - | - | 5 | - |
| Total | | | | | 242,145 | 56,260 |
| **MAIZE CBT (5,000 bu min; cents/56lb bushel)** | | | | | | |
| May | 261/6 | -3/2 | 264/6 | 260/6 | 389,640 | 67,360 |
| Jul | 264/4 | -3/2 | 268/0 | 263/0 | 623,090 | 111,130 |
| Sep | 257/0 | -4/2 | 260/6 | 256/0 | 141,425 | 10,080 |
| Dec | 249/2 | -5/4 | 253/2 | 248/6 | 363,930 | 42,175 |
| Mar | 255/4 | -6/0 | 259/6 | 255/2 | 31,800 | 2,245 |
| May | 260/0 | -5/4 | 263/0 | 259/4 | 3,780 | 135 |
| Total | | | | | 1.57m | 265,310 |
| **BARLEY LCE (£ per tonne)** | | | | | | |
| May | 110.00 | -1.40 | 10.50 | 10.00 | 166 | 2 |
| Sep | 95.95 | -1.05 | 96.50 | 96.50 | 136 | 9 |
| Nov | 97.00 | -1.75 | - | - | 112 | - |
| Jan | 100.90 | - | - | - | 11 | - |
| Mar | 102.50 | - | - | - | 7 | - |
| Total | | | | | 425 | 11 |
| **SOYABEANS CBT (5,000bu min; cents/60lb bushel)** | | | | | | |
| May | 658/4 | +3/6 | 659/0 | 651/2 | 195,525 | 44,080 |
| Jul | 654/6 | +4/0 | 658/4 | 649/2 | 288,740 | 100,445 |
| Aug | 648/4 | +4/0 | 650/4 | 643/4 | 49,275 | 4,440 |
| Sep | 627/0 | - | 630/0 | 623/6 | 27,645 | 2,065 |
| Nov | 610/0 | -2/0 | 613/6 | 607/0 | 181,840 | 21,435 |
| Jan | 616/2 | -1/2 | 619/0 | 613/0 | 13,550 | 790 |
| Total | | | | | 749,440 | 174,880 |
| **SOYABEAN OIL CBT (60,000lbs; cents/lb)** | | | | | | |
| May | 27.51 | +0.26 | 27.54 | 27.14 | 21,276 | 3,792 |
| Jul | 27.39 | +0.26 | 27.40 | 27.08 | 30,518 | 9,124 |
| Aug | 27.12 | +0.23 | 27.15 | 26.85 | 11,400 | 944 |
| Sep | 26.65 | +0.26 | 26.70 | 26.37 | 10,247 | 886 |
| Oct | 25.71 | +0.17 | 25.73 | 25.43 | 7,361 | 377 |
| Dec | 25.02 | +0.05 | 25.15 | 24.80 | 14,805 | 2,050 |
| Total | | | | | 98,375 | 17,214 |
| **SOYABEAN MEAL CBT (100 tons; $/ton)** | | | | | | |
| May | 187.8 | +0.6 | 188.0 | 186.8 | 21,072 | 4,110 |
| Jul | 187.6 | +0.5 | 188.1 | 186.8 | 34,256 | 6,474 |
| Aug | 186.2 | +0.2 | 187.0 | 185.7 | 9,424 | 769 |
| Sep | 184.5 | +0.6 | 185.0 | 184.1 | 7,569 | 636 |
| Oct | 182.3 | +0.1 | 182.5 | 181.8 | 4,400 | 137 |
| Dec | 180.9 | - | 181.4 | 180.5 | 12,045 | 1,339 |
| Total | | | | | 96,898 | 13,570 |
| **POTATOES LCE (£/tonne)** | | | | | | |
| May | 240.0 | +5.0 | 240.0 | 220.0 | 434 | 99 |
| Jun | 262.5 | - | - | - | 2 | - |
| Nov | 100.0 | - | - | - | - | - |
| Mar | 105.0 | - | - | - | - | - |
| Apr | 139.5 | -3.0 | 239.5 | 239.0 | 420 | 30 |
| May | 140.0 | - | - | - | - | - |
| Total | | | | | 864 | 129 |
| **FREIGHT (BIFFEX) LCE ($10/index point)** | | | | | | |
| Apr | 1308 | - | - | - | 968 | - |
| May | 1330 | +2 | 1330 | 1330 | 788 | 1 |
| Jun | 1259 | +9 | - | - | 222 | - |
| Jul | 1170 | +2 | 1170 | 1170 | 500 | 14 |
| Oct | 1288 | +2 | - | - | 281 | - |
| Jan | 1330 | +17 | - | - | 144 | - |
| Total | | | | | 2873 | 15 |

| | Close | Prev |
|---|---|---|
| BFI | 1290 | 1279 |

Tea
There was good demand, reports the Tea Brokers' Association. Best East Africans advanced below best, unchanged medium fully firm. Plainer Central Africans declined 2/3p. Selected bright Ceylons were dearer while others tended easier. Averages: Landed all tea 127.97p, Sri Lanka 112.21p, Kenya 131.66p, Uganda 92.68p, Tanzania 123.79p, Burundi 135.91p, Rwanda 156.97p, Malawi 101.64p, Madagascar 115.00p. Quotations: best available 260-312p/kg, good 145-155p/kg, good medium 125-140p/kg, medium 115-125p/kg, low medium 90-95p/kg. Top price 312p/kg for a rwanda pd. Offshore of 4,600 pkgs (256,538 kgs) brighter Ceylons appreciated but lighter types were lower. Better Zimbabwes gained several pence but poorer sorts were easier where sold. Averages: all tea 105.25p of Sri lanka 110.72p, Malawi 79.00p, Zimbabwe 99.42p.

### SOFTS

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| **COCOA LCE (£/tonne)** | | | | | | |
| May | 897 | +13 | 900 | 883 | 14,454 | 2,454 |
| Jul | 918 | +17 | 918 | 902 | 19,943 | 1,689 |
| Sep | 936 | +17 | 936 | 919 | 12,332 | 1,546 |
| Dec | 955 | +15 | 955 | 940 | 18,421 | 823 |
| Mar | 973 | +12 | 973 | 960 | 26,563 | 279 |
| May | 983 | +11 | 983 | 981 | 9,827 | 30 |
| Total | | | | | 111,910 | 6,801 |
| **COCOA CSCE (10 tonnes; $/tonnes)** | | | | | | |
| May | 1140 | +23 | 1160 | 1124 | 5,801 | 5,726 |
| Jul | 1171 | +21 | 1184 | 1164 | 35,418 | 3,554 |
| Sep | 1195 | +18 | 1206 | 1193 | 12,463 | 906 |
| Dec | 1230 | +18 | 1240 | 1225 | 8,026 | 466 |
| Mar | 1263 | +18 | 1275 | 1263 | 10,344 | 248 |
| May | 1284 | +16 | 1298 | 1298 | 4,949 | 27 |
| Total | | | | | 86,515 | 10,931 |

**COCOA (ICCO) (SDR's/tonne)**

| April 18 | Price | Prev. day |
|---|---|---|
| Daily | 905.35 | 886.02 |
| 10 day average | N/A | N/A |

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| **COFFEE LCE ($/tonne)** | | | | | | |
| May | 1493 | -1 | 1494 | 1470 | 11,675 | 436 |
| Jul | 1438 | -8 | 1449 | 1428 | 19,516 | 2,178 |
| Sep | 1419 | -2 | 1429 | 1410 | 9,259 | 518 |
| Nov | 1408 | -3 | 1416 | 1405 | 4,454 | 135 |
| Jan | 1400 | -7 | 1417 | 1405 | 5,446 | 11 |
| Mar | 1394 | -5 | - | - | 1,888 | - |
| Total | | | | | 52,238 | 3,278 |
| **COFFEE 'C' CSCE (37,500lbs; cents/lbs)** | | | | | | |
| May | 81.30 | +0.85 | 81.40 | 80.10 | 17,985 | 5,463 |
| Jul | 83.10 | +1.00 | 83.25 | 82.00 | 26,265 | 6,658 |
| Sep | 84.60 | +0.95 | 84.75 | 83.50 | 8,435 | 503 |
| Dec | 86.20 | +1.00 | 86.30 | 85.20 | 4,586 | 287 |
| Mar | 87.25 | +1.10 | 87.50 | 86.45 | 2,036 | 147 |
| May | 88.25 | +1.00 | 88.25 | 87.50 | 284 | - |
| Total | | | | | 61,611 | 13,058 |

**COFFEE (ICO) (US cents/pound)**

| April 15 | Price | Prev. day |
|---|---|---|
| Comp. daily | 80.13 | 81.58 |
| 15 day average | 79.38 | 79.29 |

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| **No7 PREMIUM RAW SUGAR LCE (cents/lbs)** | | | | | | |
| May | 11.13 | +0.02 | - | - | 529 | - |
| Jul | 11.63 | +0.07 | - | - | 2,864 | 3 |
| Oct | 11.46 | -0.05 | - | - | 292 | - |
| Total | | | | | 3,685 | 3 |
| **WHITE SUGAR LCE ($/tonne)** | | | | | | |
| May | 322.20 | 322.50 | 322.50 | 321.00 | 766 | 10,443 |
| Aug | 305.30 | 308.00 | 306.00 | 305.20 | 87 | 8,258 |
| Oct | 301.10 | 301.20 | 301.20 | 301.10 | 1 | 257 |
| Dec | 298.50 | 299.80 | 299.80 | 298.30 | 30 | 761 |
| Mar | 300.00 | - | - | - | - | 190 |
| May | 304.00 | | 304.70 | 304.00 | 10 | 205 |
| Total | | | | | 18,304 | 904 |
| **SUGAR '11' CSCE (112,000lbs; cents/lbs)** | | | | | | |
| May | 11.01 | +0.04 | 11.04 | 10.97 | 22,187 | 6,015 |
| Jul | 11.31 | +0.08 | 11.37 | 11.30 | 41,075 | 4,245 |
| Oct | 11.17 | +0.07 | 11.20 | 11.15 | 29,886 | 2,172 |
| Mar | 10.90 | +0.07 | 10.93 | 10.89 | 15,341 | 1,341 |
| May | 10.90 | +0.05 | 10.92 | 10.87 | 2,053 | 33 |
| Jul | 10.90 | +0.05 | 10.94 | 10.87 | 1,119 | 9 |
| Total | | | | | 112,087 | 13,902 |
| **COTTON NYCE (50,000lbs; cents/lbs)** | | | | | | |
| May | 80.72 | -0.21 | 80.95 | 80.15 | 13,007 | 3,735 |
| Jul | 80.72 | -0.01 | 80.90 | 79.97 | 24,210 | 5,654 |
| Oct | 75.92 | - | 75.95 | 75.40 | 3,820 | 260 |
| Dec | 73.52 | +0.17 | 73.55 | 73.00 | 15,382 | 1,554 |
| Mar | 74.35 | +0.17 | 74.40 | 74.00 | 1,017 | 120 |
| May | 74.45 | +0.13 | 74.50 | 74.10 | 431 | 41 |
| Total | | | | | 58,944 | 12,669 |
| **ORANGE JUICE NYCE (15,000lbs; cents/lbs)** | | | | | | |
| May | 100.50 | -1.55 | 102.80 | 100.45 | 5,658 | 1,331 |
| Jul | 103.10 | -1.70 | 105.60 | 103.00 | 10,586 | 1,798 |
| Sep | 105.50 | -1.55 | 106.70 | 105.50 | 2,061 | 194 |
| Nov | 106.00 | -1.10 | 108.05 | 106.00 | 1,127 | 10 |
| Jan | 107.50 | -0.95 | 108.00 | 106.50 | 2,118 | 11 |
| Mar | 109.50 | +0.50 | 109.50 | 109.50 | 545 | 40 |
| Total | | | | | 22,610 | 3,382 |

**VOLUME DATA**
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

### INDICES

| | | | |
|---|---|---|---|
| **REUTERS (Base: 18/9/31=100)** | | | |
| Apr 18 | Apr 15 | month ago | year ago |
| 1811.1 | 1808.9 | 1837.0 | 1657.8 |
| **CRB Futures (Base: 4/9/56=100)** | | | |
| Apr 15 | Apr 14 | month ago | year ago |
| 222.47 | 222.38 | 226.57 | 209.85 |

### MEAT AND LIVESTOCK

| | Sett price | Day's change | High | Low | Open int. | Vol |
|---|---|---|---|---|---|---|
| **LIVE CATTLE CME (40,000lbs; cents/lbs)** | | | | | | |
| Apr | 75.350 | -0.800 | 76.150 | 75.275 | 6,681 | 1,788 |
| Jun | 72.175 | -1.000 | 73.125 | 72.125 | 30,810 | 5,516 |
| Aug | 70.775 | -1.000 | 71.725 | 70.750 | 13,403 | 2,423 |
| Oct | 72.275 | -0.700 | 72.975 | 72.075 | 10,566 | 451 |
| Dec | 72.750 | -0.450 | 73.250 | 72.450 | 5,055 | 1,324 |
| Feb | 72.525 | -0.375 | 72.900 | 72.400 | 1,896 | 214 |
| Total | | | | | 68,836 | 11,679 |
| **LIVE HOGS CME (40,000lbs; cents/lbs)** | | | | | | |
| Apr | 46.900 | +0.925 | 47.150 | 46.300 | 769 | 467 |
| Jun | 53.150 | +0.600 | 53.200 | 52.600 | 17,365 | 2,066 |
| Jul | 52.150 | +0.450 | 52.400 | 51.900 | 5,716 | 742 |
| Aug | 50.425 | +0.425 | 50.575 | 50.100 | 3,198 | 283 |
| Oct | 45.800 | +0.350 | 45.900 | 45.550 | 1,987 | 144 |
| Dec | 46.225 | +0.275 | 46.250 | 45.900 | 2,385 | 71 |
| Total | | | | | 31,948 | 3,808 |
| **PORK BELLIES CME (40,000lbs; cents/lbs)** | | | | | | |
| May | 53.950 | +0.100 | 54.650 | 53.500 | 4,479 | 1,030 |
| Jul | 54.625 | +0.125 | 55.150 | 54.100 | 5,019 | 1,137 |
| Aug | 52.200 | +0.100 | 52.875 | 52.000 | 714 | 112 |
| Feb | 55.900 | -0.450 | 56.800 | 55.750 | 123 | 29 |
| Mar | 55.600 | +0.100 | 55.900 | 55.550 | 13 | 4 |
| May | 57.050 | +0.300 | 57.050 | 0 | 19 | 3 |
| Total | | | | | 10,367 | 2,311 |

### LONDON TRADED OPTIONS

| Strike price $ tonne | Calls | | Puts | |
|---|---|---|---|---|
| **ALUMINIUM (99.7%) LME** | Jul | Oct | Jul | Oct |
| 1275 | 56 | 84 | 32 | 42 |
| 1300 | 43 | 70 | 44 | 53 |
| 1325 | 32 | 58 | 58 | 65 |
| **COPPER (Grade A) LME** | Jul | Oct | Jul | Oct |
| 1850 | 76 | 104 | 39 | 56 |
| 1900 | 50 | 78 | 63 | 79 |
| 1950 | 31 | 57 | 94 | 107 |
| **COFFEE LCE** | May | Jul | May | Jul |
| 1300 | 193 | 151 | - | 13 |
| 1350 | 143 | 113 | - | 25 |
| 1400 | 93 | 81 | - | 43 |
| **COCOA LCE** | May | Jul | May | Jul |
| 875 | 22 | 61 | - | 18 |
| 900 | 4 | 45 | 7 | 27 |
| 925 | - | 33 | 28 | 40 |
| **BRENT CRUDE IPE** | May | Jun | May | Jun |
| 1400 | - | - | - | 14 |
| 1450 | - | - | - | 20 |
| 1500 | - | 46 | - | 39 |

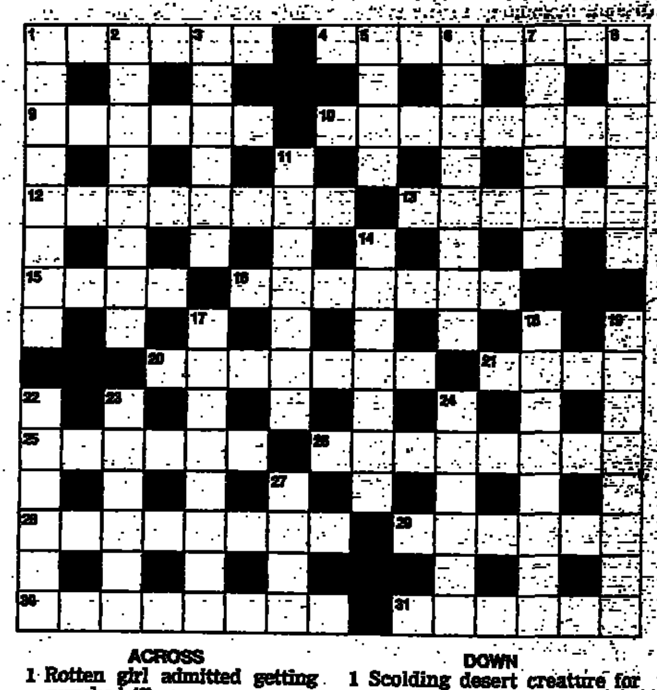
### LONDON SPOT MARKETS

| | | +or- |
|---|---|---|
| **CRUDE OIL FOB (per barrel/Jun)** | | |
| Dubai | $13.88-3.98y | +0.135 |
| Brent Blend (dated) | $15.31-5.35 | +0.005 |
| Brent Blend (Jun) | $15.09-5.11 | +0.130 |
| W.T.I. (1pm est) | $16.39-6.41y | +0.160 |
| **OIL PRODUCTS NWE prompt delivery CIF (tonne)** | | |
| Premium Gasoline | $168-170 | |
| Gas Oil | $156-158 | +4 |
| Heavy Fuel Oil | $69-72 | +0.5 |
| Naphtha | $146-148 | +4.5 |
| Jet Fuel | $166-168 | +4 |
| Petroleum Argus Estimates | | |
| **OTHER** | | |
| Gold (per troy oz)‡ | $377.70 | +0.45 |
| Silver (per troy oz)‡ | 528.50c | +3.00 |
| Platinum (per troy oz.) | $395.25 | +1.00 |
| Palladium (per troy oz.) | $132.25 | +0.25 |
| Copper (US prod.) | 91.00c | |
| Lead (US prod.) | 35.00c | |
| Tin (Kuala Lumpur) | 14.32r | -0.16 |
| Tin (New York) | 250.50c | |
| Zinc (US Prime W.) | Unq. | |
| Cattle (live weight)† | 127.06p | -1.83* |
| Sheep (live weight)†♦ | 144.24p | -9.75* |
| Pigs (live weight) | 77.20p | -0.60* |
| Lon. day sugar (raw) | $206.6 | +2.4 |
| Lon. day sugar (wte) | $325.0 | +0.5 |
| Tate & Lyle export | £293.0 | +2.0 |
| Barley (Eng. feed) | Unq | |
| Maize (US No3 Yellow) | $138.50 | +1.00 |
| Wheat (US Dark North) | £180.0x | |
| Rubber (May)¥ | 69.25p | |
| Rubber (Jun)¥ | 69.50p | |
| Rubber(KL RSS No1 Apr) | 252.00m | -0.50 |
| Coconut Oil (Phil)§ | $555.0t | +10.0 |
| Palm Oil (Malay.)§ | $425.0w | +7.5 |
| Copra (Phil)§ | $360.0 | |
| Soyabeans (US) | $213.0 | +2.0 |
| Cotton Outlook A Index | 84.90c | -0.6 |
| Wooltops (64s Super) | 405p | -4 |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Mar/Apr. y Jun. w May. t May/Jun. x Apr/May. ¥ London Physical. § CIF Rotterdam. ‡ Bullion market close. ♦ Sheep (Live weight prices). * Change on week, provisional prices

## CROSSWORD

No.8,432 Set by GRIFFIN



ACROSS
1 Rotten girl admitted getting punched (6)
4 Soldier got order to duck (8)
9 Standing by Lawrence after soldiers turned up (6)
10 Posts as it's not folded (8)
12 Choke: a device which controls acceleration (8)
13 Cook list of cheese after grating.... (6)
15 ....which smells good! (4)
16 Tokens for car to Malta? No thanks! (7)
20 Rider takes American girl to find drug dealers (7)
21 Try backing group before concert finale (4)
25 Refined tea, half stewed (6)
26 Workman about to return after party (8)
28 She stood up to a contrary girl (8)
29 Hit old Bob on a three-wheeler (6)
30 Untidiness which doctor attends to? (8)
31 Colours on a bottle (6)

DOWN
1 Scolding desert creature for hanging around (8)
2 Put down drink (a crush) (8)
3 Note on public property (8)
5 Curse unwilling student for dropping off (4)
6 Stuff for friend, a terrible liar (7)
7 Fool one old eccentric (6)
8 A little boy's terrified of shellfish (6)
11 Cut about a quarter, revealing skill (7)
14 Ash container put back outside daily (7)
17 Cuts more off for client (8)
18 Bond's unusually early – in before midnight (8)
19 Fish tea noisily consumed by theatre worker (8)
22 Scratched – yet made some points! (6)
23 Sank as shipwrecked here (6)
24 Home Office allows eradication of dosshouse (6)
27 Not against poetry being Gaelic (4)

Solution to Saturday's prize puzzle on Saturday April 30. Solution to yesterday's prize puzzle on Tuesday May 3.

FINANCIAL TIMES SURVEY

The pace of privatisation is beginning to quicken
Page 2

# ESTONIA

Narva, where Slav and Nordic worlds meet
Page 4

Tuesday April 19 1994

Capital city: Russian orthodox domes and Lutheran spires within medieval walls tell Tallinn's story *Anthony Robinson*

## Small is beautiful

Liberated from 50 years of Soviet rule, Estonia, smallest of the Baltic states, is revelling in its new-found freedom to rediscover its historic traditions and adapt them to a modern, democratic way of life, writes **Anthony Robinson**

Estonia is an encouraging place for those who argue that the dissolution of the Soviet empire has released much frustrated energy which allows the world to face the 21st century with guarded optimism.

In less than three years, a small group of youthful politicians, academics, bankers and businessmen has managed to restore the liberties and customs of a small nation, introduce market-based economic reforms and shift trade and investment decisively towards the west in general and Scandinavia in particular.

Taking advantage of Russia's internal turmoil after the failed August 1991 coup, Estonia, together with the other former Soviet Baltic states, promptly declared independence and then moved with great speed and determination to create a new constitution and a multi-party political system.

The central bank, headed by Mr Siim Kallas, who worked closely with Russian reformers in the Gorbachev-era Supreme Soviet, reinforced economic reforms by the introduction on June 20, 1992 of an independent national currency, the Kroon. Its value is fully backed by the new state's steadily rising gold and hard currency reserves.

Multi-party parliamentary and presidential elections in September 1992 allowed the formation of a broadly-based coalition government, headed by Mr Mart Laar, the 33-year-old prime minister. His "Fatherland Coalition" of centre-right parties also secured the election of Mr Lennart Meri, a distinguished historian and film-maker, as president of the restored republic.

A top priority of the newly independent state was to form a 3,000-strong armed border patrol force and a 2,000-strong national army backed by a volunteer national reserve. The army is commanded by an Estonian-American former US Army colonel and armed mainly with Israeli weapons following a $47m arms deal.

Clearly, Estonians, after centuries of domination by Baltic Germans and Swedes, and subjected to nearly 300 years of Russian hegemony in the eastern Baltic, believe that strong fences make good neighbours.

*Not everyone is amused.* Estonia's reluctance to extend nationality rights to former Soviet military personnel, and some other categories among the ethnic Russians who now make up 29 per cent of the population, has attracted the ire of Vladimir Zhirinovsky, the Russian chauvinist, and others.

To which Mrs Marju Lauristin, the minister of social affairs replies: "Such people are demanding for ethnic Russians in Estonia rights and privileges which they cannot guarantee in Russia itself."

Given that Estonia's main requirements are independence and stability, however, Mrs Lauristin argues that it is in Estonia's own best interests to see that its ethnic minorities feel at home in, and loyal to, the restored state. Such expressions of enlightened self-interest are welcomed by many Russians, especially those with family roots in Estonia, dating back to the Czarist period and the younger, better-educated business people for whom Estonia is an excellent place from which to do business with neighbouring Russia.

*One prerequisite for acquiring nationality is proof of minimal linguistic language ability.* The Council of Europe judged this a *not unreasonable* request, given that ethnic Estonians, who make up 65 per cent of the population, speak a distinctive language related to Finnish and Hungarian.

For most Estonians, full independence requires that the 2,500 Russian troops who remain from a once 100,000-strong Soviet occupation army, leave by August 31, 1994 – the deadline agreed with Moscow after months of difficult talks conducted by Mr Juri Luik, a government high-flyer who has just swapped the defence portfolio for the foreign affairs ministry. But in later talks Moscow withdrew this promise despite strong pressure from western governments.

Despite the second thoughts in Moscow, the Soviet withdrawal is virtually complete. Only the nuclear training reactor remains to be dismantled at the big Soviet-era naval and *nuclear submarine training* base at Paldiski on the west coast. *The huge military airfield at Tartu* has been abandoned, *as has the nuclear fuel* plant at Sillimae, all once *staffed only by non-Baltic* Soviet citizens.

Only 1,000 *special assault* troops in a barracks, 500 metres from Toompea castle, the pastel pink parliament building in the centre of the old town, remain vaguely menacing, apart from the paratroop units stationed just across the border in Russia's Vitebsk and Pskov military districts.

There is less progress, and less, insistence, on an outstanding territorial claim. A swathe of territory recognised by Moscow as Estonian in perpetuity by the 1920 Tartu Treaty remains outside the *de facto* border of the new Estonian state. The actual frontier remains the old Soviet administrative dividing line between the Russian and Estonian Soviet republics.

It will probably remain so for the foreseeable future. Moscow has signalled its determination to keep the frontier where it is by building a big, modern customs and frontier post at Ivangorod just across the river from the largely Russian-speaking Estonian city of Narva on the western bank.

A similarly permanent-looking border post is currently being built by the Russians on the south-eastern border where the main Riga-St Petersburg highway crosses the Estonian line.

Already much of the reduced volume of trade which crosses the borders is private, not inter-state. Estonia was tied to the Soviet Union for over 90 per cent of its trade, three years ago. Now Russia accounts for little over 20 per cent of a total which is now overwhelmingly orientated towards western markets.

Finland has replaced Russia as the top trading partner. But all Estonia's gas and much of its oil and raw materials still comes from Russia while 90 per cent of the traffic through Tallinn port is linked to the former Soviet hinterland. St Petersburg, Russia's second city and the former imperial capital, is partially lit by electricity from Estonia's oil-shale fired power stations.

Estonians will never be able to ignore the giant on its doorstep. The trick is working out a way of living more creatively and freely with it. After 50 years spent debating the merits of submitting to Soviet forces without firing a shot in 1940, many Estonians are determined never again to suffer the subjugation which followed the infamous Molotov-Ribbentrop pact on the eve of the Second World War.

They see their future in the closest integration into western defence and economic structures, starting somewhat reluctantly with half-way houses like Nato's "partnership for progress."

But there is also a widely spread conviction running from President Meri throughout the government and society that the future stability and prosperity of Estonia and the other Baltic states hinges largely on the degree to which the St Petersburg area can be integrated economically into what could become one of the fastest-growing regions in 21st century Europe – the Baltic basin.

Asked to look ahead and describe the Estonia he expects to see by the turn of the century, Mr Laar, the prime minister replies "a young, modern fast-developing country that looks to Europe, is part of Europe, but maintains its own identity."

That looks well within grasp, provided Russia abides by the rules of decent international behaviour and honours the sovereignty of a small neighbour which can never be a threat but could serve Russia's interests well as a friendly, independent state and efficient trade partner.

**IN THIS SURVEY**

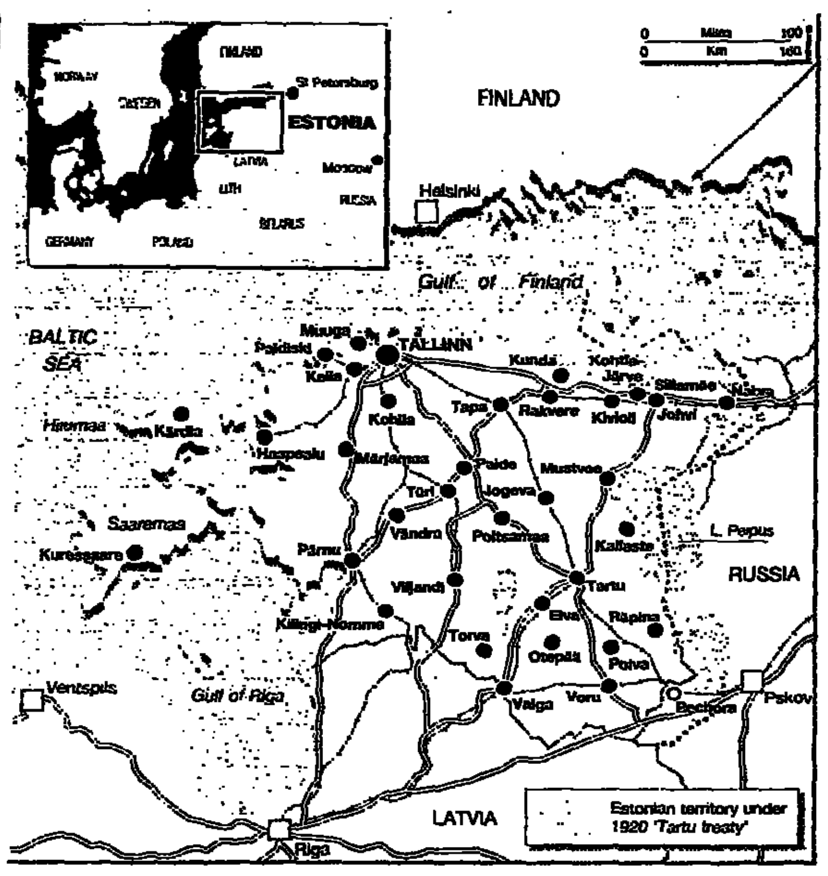


**Estonia: key facts**

• Estonia, officially the Estonian Republic, (land area 45,200 sq km) was taken over by the former Soviet Union in 1940, but regained its independence in 1991. Germany briefly held the region in World War Two. Capital: Tallinn.
• Population: 1.6m of which around 35% are ethnic Russians or other former Soviet nationalities: life expectancy at birth, 69.5 years.
• Politics: Isamaa (Fatherland Alliance) is the majority partner in the ruling coalition.
• The head of state, president Lennart Meri, was elected by the Riigikogu (state assembly) in October 1992 after direct elections failed to produce a candidate with a majority of the vote.
• The Estonian language belongs to the Baltic-Finnic branch of the Finno-Ugric languages.

**Economy**

Basically industrial, but agriculture is important; now moving out of recession.
• Most important mineral: oil shale. Large reserves of peat and high-quality phosphorites, limestone and dolomites.
• Estonia is noted for its textiles, paper, furniture and other forest products. Woodworking is a traditional and important industry. Reforestation policies are succeeding. Farming is difficult in some areas due to large glacial stones.
• GDP in 1993: +3%; forecast to rise 4-5% in 1994.
• Inflation 1993 (CPI): 35.6%
• Currency: Estonian Kroon; exchange rate fixed since June 20, 1992 at EEK 8-DM1; (£1 Stg = EEK 20.8: US$1 = EEK 13.97).
• Gold and currency reserves at end-December 1993: EEK 5,237m ($376m).
• Broad money supply (Nov 1993) EEK 5,589m. Balanced budget planned for 1994. Government income EEK 5,682m.
• Central government spending: EEK 4,674m (remainder by local authorities).
• Registered unemployment (end-1993): 1.74%
• Foreign trade (first nine months of 1993): exports EEK 7,143m (up 218%, compared to previous nine months); imports EEK 7,515m (up 240%).
• Trade deficit: EEK 372m.




■ THE ECONOMY

## Reforms at a high price

Estonia is the first and only economic success story to emerge thus far from the wreckage of the Soviet Union, writes **Anthony Robinson**

Backed by a strong, convertible currency, and wedded to balanced budgets and fiscal rectitude, a small band of young and determined economic policy makers has managed to throw off the legacy of Soviet rule and open Estonia up to trade and investment from their Baltic neighbours and the world beyond.

Industrial output has been climbing steadily since February last year, contributing to a 3 per cent rise in the gross domestic product after three years of sharp declines. Overall GDP is expected to grow by 5 per cent in 1994, boosted by a fast-growing service sector, rising foreign investment, mainly from Finland and Scandinavia, the privatisation of hundreds of former state enterprises and an explosive growth in new private businesses.

Economic activity is heavily concentrated on Tallinn, the capital, in which a third of the population of 1.6m live.

Provided relations with Russia can be kept on an even keel, the city can look forward to a prosperous future as a "Baltic Hong Kong," blessed with the deepest ice-free ports in the region and perched just beyond the western extremity of virtually land-locked Russia.

Three years ago, such optimism would have appeared preposterous – Mikhail Gorbachev, the last Soviet president, warned Estonians and other independence-minded Baltic states that divorce would mean economic disaster.

Well over 90 per cent of Estonia's foreign trade was conducted with the then Soviet Union which supplied energy and raw materials as well as a wide range of intermediate industrial goods.

The World Bank and other institutions warned that Estonia would need to seek $1bn in foreign financing to make up for hidden Soviet subsidies and argued against leaving the rouble *zone*.

For a time it looked as though the *Cassandras from* east and west might be right. In 1992, industrial production slumped 38 per cent, inflation soared to 1,069 per cent and only an emergency shipment of 100,000 tons of heating oil from *Finland prevented thousands* from freezing to death – literally, in the case of the old and infirm.

But right in the middle of Estonia's *annus horribilis* an event of crucial importance took place. On June 20, 1992 the central bank initiated monetary reform by introducing the kroon, a new and independent currency fully backed by gold and foreign currencies. It was pegged to the D-mark at a fixed rate of 1 DM=8 EEK. Up to 1,500 roubles per person were exchanged at 10 roubles for one kroon, equivalent to the D-mark-Rouble parity on the day.

Since then, the kroon's fixed exchange rate with what is still Europe's strongest currency has been the principle anchor of economic policy. By adopting a currency board system Estonia's monetary reformers effectively put the economy back on the gold standard of yore and laid the basis for what has become one of Europe's strongest currencies.

Inflation last year was *reduced to 36 per cent*, economic growth is on a rising track *and foreign trade doubled* in volume.

Finland has replaced the former Soviet Union as the main trade partner. More than 40 per cent of all imports now flow through Finnish ports only 80km away across the Gulf of Finland.

Russia remains an important trade partner but took only 38 per cent of Estonian exports last year, compared to 95 per cent in 1991. It supplied only 30 per cent of Estonia's imports, mainly oil and gas, compared to 85 per cent three years ago.

*But the reforms which* are transforming the economy have come at a high price. Average real incomes shrank *dramatically over the last two* years, accompanied by a rapid increase in income differentials.

The young, multi-lingual, entrepreneurial types in the new banks and enterprises enjoy high and rapidly rising incomes.

Civil servants, teachers and workers in the old-style state-*owned enterprises, many of* them ethnic Russians, have *seen their incomes fall.* An estimated 20 per cent of the 1.6m population live on or below the poverty line.

Official statistics may tell only part of the story, however. Ms Marju Lauristin, the minister of social affairs, estimates that income from wages and salaries only accounts for 55 per cent of average family income. Part-time jobs specially in the fast-growing service sector help make up the difference.

In spite of all the wrenching *changes in this small economy*, however, unemployment has been kept remarkably low – *although employment in the* official, still largely state con*trolled sectors of the economy*, has fallen steeply.

Soviet Estonia boasted 850,000 jobs, but only 635,000 official work-places remain. Despite this shrinkage in the old economy of large textile and engineering plants, oil shale mines and related heavy industry, only 16,000 workers, between 2-3 per cent of the work force, are officially unemployed. A further 45,000 are registered as semi-employed.

Low unemployment is partly *a function of definition. After* six months looking for a job, *the unemployed are struck off* the unemployment pay register.

Pockets of high unemploy*ment certainly exist, especially* in rural areas and in the heavy *industrial areas which were* built in the Soviet period and *staffed largely by ethnic Rus*sians.

*However, thousands of new* jobs have been created in the *fast-growing construction*, transport, private retail and other service sectors.

Tax evasion is widespread in the vibrant new capitalist economy. But recent tax reforms, introducing VAT and simplification of the income tax structure by imposing a flat rate 26 per cent personal and corporate income tax, have been designed to broaden the tax base.

A reform of the social security system this year will create a self-financing health and pension system based on employer and employee contributions.

The aim is to free-up the budget for more productive infrastructure and other investments.

■ **PROTECTING THE KROON**

The high priority given to the maintenance of a strong independent currency is crucial to the success of Estonia's economic reforms, writes Anthony Robinson.

"When inflationary financing is impossible and the exchange rate is not flexible, other factors such as domestic prices and wages, must adjust. Softening adjustment by inflation and money illusion is made impossible," commented Mr Siim Kallas, governor of the National bank of Estonia and widely recognised as the key figure in monetary reform.

"Perhaps not surprisingly, currency board solutions have proven unacceptable to large countries," he added, in a recent paper.

The currency board undertakes to convert all kroons offered to it at the fixed rate of EEK 8 to DM1 and ensures that the issuance of new currency is umbilically linked to the size of the foreign exchange reserves.

### Indicator of success

The monetary reform with its automatic link between reserves and currency issuance was supported almost unanimously by the Estonian parliament and was specifically designed to enhance the prestige of the new currency and protect it from political interference.

One clear indicator of success is the level of gold and foreign currency reserves. When the new central bank published its balance sheet for the first time in July 1992, a month after the reform was introduced, reserves amounted to EEK 1,165m (DM 145.65m).

The total included 11.3 tons of gold transferred abroad by the pre-war government and returned to its legal successor after the restoration of independence.

Thanks largely to sharply higher tourist and other invisible receipts from the booming shipping and harbour sector, foreign reserves to back up the kroon have been piling up in the Estonian National Bank.

By the start of 1994, reserves had quadrupled to EEK 5,237m (DM 655m), demonstrating the solid basis for a non-inflationary increase in the money supply needed to sustain the expected economic growth this year.

■ PRIVATISATION

# The pace is beginning to quicken

**This year, 155 out of the remaining 500 industrial enterprises have been prepared for sale by tender, reports Anthony Robinson**

When the Estonian government decided last year that rapid privatisation of the virtually all-encompassing state sector was a priority issue, it was not interested in re-inventing the bicycle.

Instead it decided to hire an expert from Treuhand, which has been responsible for selling off former East Germany's once-vaunted "crown jewels." The aim was to apply German methodology, modified where appropriate to the specific local circumstances.

The man and the ideas came mixed together in Mr Herbert Schmidt whose penchant for blunt speaking appears to be matched by a similarly steely resolve to get privatisation up and running demonstrated by his principal Estonian colleagues, Mr Vaino Sarnet, director of the Privatisation Agency and Mr Jaan Manitski.

The trio appear to circle around each other with a mixture of mutual respect and wariness.

The privatisation process started, as elsewhere in the post-communist world, where it was easiest. This meant the sale by auction or the restitution to former owners of small property – shops, restaurants and the like. The process is virtually complete, with the exception of rural land and property where restitution and other legal problems are still acute.

Large scale privatisation only started to take off in August last year with the creation of the Privatisation Agency, (PA). The agency is modelled closely on Treuhand, and designed as a one-stop operation for potential investors – "the international investor wants to know with whom he can deal," explains Mr Vainet. "This is the one-stop agency which carries out the privatisation programme through tenders."

The decision to proceed with privatisation as fast as possible was an all-party decision, overwhelmingly approved in parliament.

This is reflected in the composition of the agency's 11-strong board. It is chaired by Mrs Liia Hänni, the minister for reform and ownership transformation, and includes representatives from the finance and economy ministries, the central bank and six political parties.

As Mr Schmidt makes clear, the Estonian way eschews various forms of mass privatisation through vouchers, popular in the Czech Republic, Russia and elsewhere, as well as simple auctions to highest bidders.

"Privatisation is an economic exercise. It is not about selling assets so much as purchasing capital, know-how and access to foreign markets," he says to nods of assent from his Estonian colleagues. "For this," he adds, "the appropriate method is the tender, with no distinction between foreign or local bids."

A few restrictions on foreign participation in the Estonian economy do, however, remain. Since April 1993, foreigners have been allowed to buy land, but only in connection with a particular land-use connected to their investment, not land as such. This is not overtly discriminatory but makes it harder for ethnic Russians and others, including the 10,000 retired Soviet servicemen, from buying in potentially strategic areas.

The authorities have also drawn up a list of over 20 sectors which are currently restricted for foreigners. They include electricity, harbours, gas, liquor and tobacco, but definitely not telecommunications where a joint venture between the state telecom system and Finnish and Swedish telecom companies is busy upgrading mobile and fixed land telecommunication systems in a 10-year priority programme.

The pace of privatisation started to hot up towards the second half of 1993. Last year the PA signed 50 contracts involving the sale of assets worth EEK 400m.

When taken together with assumed debts, future investment, job creation and other commitments this translates into deals worth around EEK 1.5bn to the economy, securing 10,000 jobs, Mr Schmidt calculates. "This helps to make us popular with the unions," he adds.

The agency is now fully operational with 50 trained Estonian staff and 15-20 experienced consultants, thanks partly to financial and other assistance from US-AID, the EU's Phare Fund, the EBRD and Treuhand.

This year some 155 out of the remaining 500 industrial enterprises have been prepared for sale by tender, out of a total of what Mr Schmidt delicately describes as 2,000 state-owned "objects."

In practice, a high proportion of these assets can best be described as "dogs," like the former Soviet managed rocket and military engineering factories which ran to a different music when the economy was not about use and utility as now, but about power and authority – Soviet authority at that.

Some of the old plants may be salvageable in a new form, but the fate of many will be oblivion. But this process will be much less painful than seemed likely only two years ago. Then privatisation of state assets looked like virtually the only show in town.

Now the main dynamism in the economy stems from greenfield investments and start-ups by new homegrown and foreign entrepreneurs.

DR HERBERT SCHMIDT ADVOCATES A 'THIRD WAY' TO PRIVATISATION

## Key role for Treuhand's man in Tallinn

As a nation that spent many centuries under the tutelage of Teutonic land owners, the Estonians tend to be admirers of most things German.

And the government, faced with the task of parcelling out Estonia's state industries efficiently but fairly, has looked for advice to Berlin – in the shape of Treuhandanstalt, the German privatisation agency.

This makes Dr Herbert Schmidt, Treuhand's man in Tallinn, one of the most influential figures in Estonian public life.

Since taking up his job in autumn 1992, his experience and above all his contacts in the banking and corporate worlds have been of invaluable help in enabling Estonia to sell itself to the world – even at a time of instability in neighbouring Russia.

"We have kept investor confidence, despite Zhirinovsky" is Dr Schmidt's – so far – justifiable claim.

He has brought from Treuhand a "philosophy" of privatisation – "in some countries," he says, "the main purpose is the political one of dismantling the state as rapidly as possible; in others, the exercise is mainly fiscal, aimed at boosting state revenues without looking too closely at the buyers."

Dr Schmidt advocates a "third way" to privatisation: seeing the process not as a sale of assets but a purchase of management skills, technology and capital. For "political" privatisation, a Czech or Russian-style voucher system is appropriate; for fiscally-minded privatisers the obvious road is straight auctions. But the "purchase" of external help can only be done by using an elaborate range of criteria to evaluate each potential buyer.

Dr Schmidt has encouraged his Estonian colleagues to look not simply at the direct fiscal benefits from each bid, but at the more broadly defined "transaction value," which takes into account promises of long-term investment and employment.

He is frank about Estonia's possible drawbacks, which makes him more plausible than when he talks about the country's undoubted assets.

While Estonians are by instinct a law-abiding, even legalistic nation, the Soviet takeover of 1940 interrupted the parliament's adoption of a fully-fledged civil war code.

So the only legal tradition on which Estonia can draw is the fragile one that was instituted by Russia's Tsar Alexander II in the 1860s. That makes it harder, though certainly not impossible, to draw up contracts.

He likes to compare Estonia with "Hong Kong of twenty years ago" – a strategically located "entrepôt" and outpost of capitalism, with a deep, efficiently-managed port. These assets, he reckons, should make up for the tiny size of the local market.

On the future of Estonian industry, he is sure that those businesses which "grew up naturally" in the pre-war period out of the region's own resources can restructure and flourish. But some of the manufacturing that was artificially planted in the republic by the Soviet occupiers, particularly in the defence sector, may now wither away.

**Bruce Clark**

Tiiu Silves: reputedly the richest woman in Estonia, she is guarded day and night by men trained in the KGB

Profile of a surprising entrepreneur

## Tough, candid – and rich

Ms Tiiu Silves, Tallinn's best-known private entrepreneur, first became famous in the city as a rag and bone merchant. After graduating from selling home-cooked waffles and flowers in the streets of the capital five years ago, she started offering hard-to-come by video-recorders and other western goods for every five tonnes of metal scrap brought to her scrapyard in the Tallinn docks.

After sorting and baling, the scrap was exported for hard currency.

Today, she and her immediate family own and control Silves Enterprises, a holding company with 22 operating divisions and subsidiaries in eight countries, including the US where she is building a house. Reputedly the richest woman in Estonia, she is guarded day and night by large, "re-cycled" gentlemen who received their training in the KGB.

Much of her time is spent alternately wheedling and threatening recalcitrant payers in Russia and other former Soviet states on behalf of foreign companies which despair of getting payment through conventional channels.

She is tough, no question of that. But she is also humorous, resourceful and refreshingly forthcoming about what it takes to do business in the former Soviet world.

"Bribes?" she replies with a weary interrogative. "No business is done in Russia without bribes of some kind. When I need wagons and I'm told *nel'zya* ('impossible'), then I don't mind if we have to slip something to the badly-paid man on the ground to make sure he does what he is supposed to do anyway. But it sticks in my throat when we have to pay off the senior officials."

She also has harsh words for many of the new-breed Russian entrepreneurs – "they don't understand that many western companies approach Russia with a genuine desire to be helpful."

"Many Russians just feel that westerners have come to exploit Russia and are therefore fair game."

Many of her companies are heavily involved in trucking and trading in foodstuffs, vehicles, timber and fish, as well as metals and scrap.

"Less than 10 per cent of scrap comes from Estonia now," she says. "We've cleaned-up Estonia. Now my people go as far afield as Kazakhstan. At that distance the profit margins are really slim, once costs are covered."

Competition is also fierce in the foodstuffs business, selling western products into the kiosks and privatised retail food shops which have opened up in Russia and beyond.

"While we are content with small margins, say five cents a can, the people who buy our goods in Russia load 15-20 cents on top. That's why prices are so high there," she says.

"What they charge is their business. But I insist on getting paid. The golden rule is never to pay roubles in advance.

"My main headache at present is trying to get back $250,000 I foolishly agreed to extend on a three-day credit to an Armenian 'businessman' in Moscow. I found out too late that he enjoys the highest protection.

"He drives a white Cadillac, lives in Kruschev's old villa in Moscow's Lenin Hills and has 'friends' at the top of the central bank," she says.

"I'd shoot him if I thought I'd get away with it. He's a creep – a *nothing*," she candidly adds with a grimace.

**Anthony Robinson**

■ FOREIGN INVESTMENT

# The inflow accelerates

Foreigners accounted for more than half the EEK2,540m ($195m) of new investment in the Estonian economy over the first nine months of 1993 with Finland and the Scandinavian countries in the lead. The inflow is expected to quicken in 1994 with the speeding up of privatisation and a possible 4-5 per cent rise in GDP.

Investment mirrors the trade pattern. Over the first nine months of 1993, Finland – with EEK45.7m invested in 502 Estonian enterprises – topped the league followed by the US with EEK35.5m in 31 enterprises.

US investors include PepsiCo, although the largest US investor is a company owned by Mrs Tivu Silves, an Estonian entrepreneur with subsidiaries in the US.

Swedish companies, eager to secure a lower cost production base invested EEK31m in 94 enterprises although their presence is actually greater because many Swedish companies, including Asea Brown Boveri, operate through their Finnish subsidiaries.

Italy comes fourth with EEK23m, but virtually all of that is accounted for by one big investment, the HTM Sport Estonia ski boot and accessory factory.

Germany completes the list of the top five foreign investors with EEK12m in 35 companies while the bulk of the EEK8m invested by UK companies is accounted for by Shell, the oil company. Russian entrepreneurs invested EEK7.9m in 76 companies.

Several big projects are in the pipeline however with Sumitomo Bank of Japan involved in financing the big new container and oil port at Muuga, just outside Tallinn.

Other foreign investments include:

□ A $10m investment by the International Finance Corporation (IFC) in a $44m project to modernise and clean up the 1m tonne a year Kunda Nordic Cement plant. Kunda is jointly owned by the Estonian government and Atlas Nordic Cement, controlled by Euroc of Sweden and Switzerland's Holderbank.

**Top trading partners**
In the first nine months of 1993, showing the volume in million kroons, and percentage of total

| Country | EEK m. | % |
|---|---|---|
| 1. Finland | 3,506 | 23.92 |
| 2. Russia | 2,815 | 19.21 |
| 3. Germany | 1,424 | 9.72 |
| 4. Sweden | 1,376 | 9.39 |
| 5. Latvia | 746 | 5.09 |
| 6. Holland | 616 | 4.20 |
| 7. Lithuania | 492 | 3.36 |
| 8. Ukraine | 397 | 2.71 |
| 9. Japan | 352 | 2.40 |
| 10. Denmark | 349 | 2.38 |
| 11. US | 311 | 2.13 |
| 12. UK | 216 | 1.48 |

□ Modernisation of the telecommunications network, including a FMk100m mobile phone system and a ten-year $50m fixed line project for 600,000 lines. Joint venture between the Estonian government (51 per cent) and Telecoms Finland and Swedish Telea, with 24.5 per cent each.

□ Electrolux of Sweden – a plant to produce 80,000 electric cookers.

**Anthony Robinson**

Commercial banking profile: Hansapank

# Super modern but still super conservative

The view from Hannes Tamjäru's office at Hansapank, Estonia's second largest and most profitable private commercial bank, encompasses the onion domes and spires of Tallinn's historic city centre and the nodding cranes in the harbour from whence the city gains its wealth.

The bank which started as a subsidiary of Tartu bank, one of eight banks closed by the central bank in a demonstration of its close monitoring of the fledgling banking system, began as an independent institution in January 1992.

The youth of the institution is matched by that of its 250 staff. Their average age is 25. This reflects the determination of Mr Tamjäru and his eight partner-shareholders, not to employ anyone with experience in the previous state banking system, and to concentrate resources heavily in two directions – staff training and state of the art computerisation.

The banking hall is super-modern and functional. The larger Estonian companies and wealthy individuals who make up the target-customer base are received by senior management in a top floor foyer lined with elegant nude statues. You could be in Scandinavia, not a former Soviet republic.

The bank may be super modern, but it is also super conservative – "our capital adequacy ratio, based on BIS standards, is 18/19 per cent, and is growing through retention of profits. But if we are cautious lenders it is partly because we have cautious borrowers," Mr Tamjäru notes. "Most of our lending finances working capital. So far, there is little long-term capital project financing and in any case the banking system is still too small. The total balance sheets of all the 23 private banks put together is around EEK5,000m, while the total equity base is only EEK450m, around $40m.

"As the central bank limits loans to any single customer to 50 per cent of a bank's equity, all the banks taken together could not raise more than $20m for an investment project. At our bank, we limit such loans to 20 per cent," he adds.

This means that big investment projects, like developing the new container port at Muuga, modernising and reducing pollution in the shale oil, cement and other industries or modernising telecommunications, is beyond the local banks.

In 1992, the European bank for Reconstruction and Development (EBRD) stepped into finance emergency oil shipments and ensure diversification of supply away from traditional Soviet sources. It works closely with the Estonian Investment Bank, in which it is a shareholder alongside the Nordic investment bank and the Bank of Estonia.

Sumitomo bank of Japan is playing an important role in financing port modernisation. The International Finance Corporation has also announced its first investment of $10m in a $44m modernisation of the Kunda cement factory.

Thus far, however, the presence of foreign commercial banks in the small domestic market of only 1.6m people is limited to the odd representative office. Given the balanced budget and the automaticity of the currency board system, there is no deficit financing to spur the development of a money market, although the Bank of Estonia has started to issue certificates of deposit which are sold at auction with interest rates close to D-mark rates on international markets.

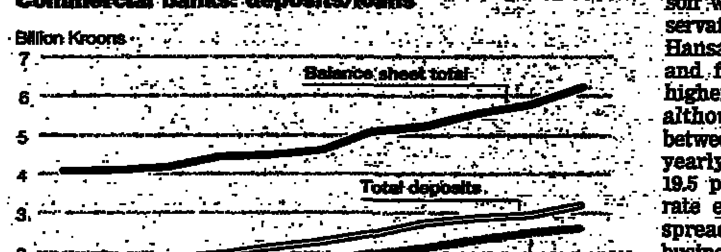
The short-term nature of the bulk of deposits is another reason why bank lending is conservative and liquidity high. At Hansapank, foreign exchange and fee income is currently higher than interest income, although the high spread between current 9.25 per cent yearly deposit rates and the 19.5 per cent average lending rate ensures a 14-16 per cent spread "which means good business," notes Mr Tamjäru.

But lending is expected to pick up sharply this year – "the quality of the entrepreneurs coming to us for money is rising all the time. We have been saying for a year that the economy has been growing much more rapidly than shown by the official statistics. New entrepreneurs, not privatisation, are the real movers behind economic growth.

"Business know-how is developing quickly, success is shining on our customers," he adds with a grin.

**Anthony Robinson**

**Commercial banks: deposits/loans**




Source: Eesti Pank/Bank of Estonia Information Service

## ESTONIA III

Debate on civil rights of ethnic minorities

# Crucial political conundrum

Restoration of the rights and liberties of the inter-war Estonian republic became the obsessive goal of all politically-aware Estonians – once *glasnost*, the great achievement of the Gorbachev era, made it possible, after nearly 50 years of silence – to debate the 1939 Molotov-Ribbentrop pact which transferred independent Estonia into the Soviet sphere of influence.

Local reformist communist party leaders – men like Edgar Savisaar and Arnold Ruttel – took the lead and, in the summer of 1988, the Estonian Supreme Soviet became the first of the 15 Soviet national parliaments to declare national sovereignty. This was followed by the first free elections in March 1990 which brought openly pro-independence nationalists into the parliament and swept Mr Savisaar into power as prime minister.

The government was always regarded as transitional but became even more so after the failed August 1991 *coup* in Moscow which was immediately seized upon as an occasion to declare full independence from Moscow and set up a constitutional assembly to draw up a new constitution.

Communists and nationalists together started work on the new constitution in November 1991 and the new document, which rejected the authoritarian presidential model of the pre-war constitution in favour of parliamentary government, was approved by *referendum* in June 1992.

The first elections under the new constitution took place in September 1992 and the *pro patria*, or Fatherland front, a loose alliance of conservative and *Christian democrat* groups, led by Mr Mart Laar, a young former academic, emerged as the largest single grouping with 23 seats in the 100-seat Riigikogu (parliament).

Mr Laar became prime minister of the five-party conservative coalition government formed after the elections. He used his party's swing vote to break an inconclusive outcome to the presidential elections, which took place at the same time, and ensure the election of Mr Lennart Meri as the first president of the restored Estonian republic.

*Mr Meri*, a well-known film-maker and historian, is the son of the former foreign minister of the inter-war republic, and was among 100,000 prominent Estonians deported to Siberia after the Soviet takeover in 1940. He lacks the formal powers enjoyed by *Konstantin Päts*, the last pre-war president of Estonia, but enjoys high prestige as a canny observer of Russian affairs and elder statesman in a government whose ministers average age *hovers around 30 years.*

Last year, President Meri obliged the government to revise its nationality laws to take into account objections of discrimination against Russians, voiced by the Council of Europe, and caused a flurry early this year when he protested against the January government re-shuffle which, he feared, would distract attention from the worrying signs of resurgent Russian nationalism and talk in *Moscow* of restoring Russian influence over the Baltic states.

Given Estonia's recent history, and the colonial nature of *Soviet dominance* throughout the Baltic states, a crucial political conundrum concerns

Mart Laar: former academic who became prime minister

*the civil rights of ethnic minorities*, mainly Russian speakers, who make up 35 per cent of the population.

All the current members of *parliament are ethnic Estonians*. Automatic citizenship, and therefore full rights to vote and participate in politics, is limited to those whose families were resident before the waves of Soviet-inspired immigration after 1940. Non-citizens were able to vote in local elections last year, but were not eligible to stand as candidates for election.

More than half the population of Tallinn, and over 90 per cent of the inhabitants of *Narva, the eastern border city*, are Russian speakers and over 10,000 former Soviet army and KGB officers have set up their retirement homes in the republic. The latter in particular are openly viewed as a potential *fifth column by many* Estonians, including ministers.

The government offers to help defray the removal expenses of non-Estonians wishing to leave and an estimated 30,000, plus thousands of *Soviet military personnel* and their families, have left over the last 18 months.

Most Russian-speakers, including an estimated 80-100,000 "old Russians" from Czarist days, want to stay in what is expected to become a stable and prosperous democracy. They have been granted residence permits for the next five years and the offer of citizenship conditional on learning basic language skills and demonstrating loyalty to the Estonian state. Dual citizen*ship is not allowed.*

Acute observers like Mrs Marju Lauristin, the minister of social affairs, notes that 90 per cent of Russian speaking children, hitherto segregated into Russian speaking schools, are now seriously studying the Estonian language – "for Esto*nians the issue is not blood*, but the survival of their language and culture," she underlines.

Mrs Lauristin is a social democrat in a government whose overall conservative philosophy is deeply influenced by Thatcherite notions of self-reliance and the virtues of thrift and hard work. Taxation and other policies are expressly *aimed at encouraging* the emergence of a large, stable, property-owning middle class, concentrating social assistance on the really poor and introducing self-financing health and pension schemes.

For many, Estonia's determination to achieve the prosperity of its Scandinavian neighbours by the turn of the century is symbolised by the top priority given to first establishing and then sustaining a convertible, gold-backed, independent national currency.

Significantly, plans for the new independent Kroon were first drawn up in 1987 when Mr Siim Kallas, the president of the Bank of Estonia, was not a banker but a member of the Supreme Soviet of the Soviet Union working closely with the Russian reformers whose star is now waning in Russia itself.

He saw that Soviet reforms would falter without serious monetary reform, doubted that Russia's reformers had the strength to push through what was required, but was convinced that Estonia alone could succeed. Two years of independence have proved him right.

Anthony Robinson

President Lennart Meri: a well-known film-maker and historian

On the waterfront: Peeter Palu, head of Tallinn port (right), with an Estonian border guard *Antony Robinson*

Ice-free ports and new ships

# Ambitious renewal plans

**Important developments are under way at deep-water ports of Tallinn, Muuga and Paldiski, reports Anthony Robinson**

Shortly after Peter the Great wrested control over the eastern Baltic from the Swedes at the start of the 18th century, the Russian Czar singled out three key sites for future port development – Paldiski and Tallinn in Estonia, and St Petersburg itself.

For 50 years, Paldiski was a Soviet navy training base and, eventually, a nuclear submarine port, off limits to Estonians and tucked away behind sentries and double files of barbed wire. Now the doors and windows of Paldiski's bleak, Soviet-era, prison camp hang agape, a clutch of trawlers lies rusting at anchor, the barracks and buildings are gut*ted.*

On a bleak January afternoon, the last trucks loaded with ripped-out cables and anything else of value, were being loaded on to a grey naval transporter, the *Donetsk Miner*, before heading off to the Russian enclave of Kaliningrad, formerly Königsburg.

By mid-1994, the last of the dismantled training reactors will have *been removed – and* Paldiski, with its sheltered harbour and 9.5 metre draught, will be both liberated and potentially ripe for development as a commercial harbour or, given the area's natural beauty, a yacht basin and tourist complex.

But the real focus of Estonia's maritime and entrepôt enterprise are the ice-free, deep-water ports of Tallinn and nearby Muuga. The dry bulk, oil and container terminal now being extended and developed at Muuga, will cost $800m. The 18-metre draught ensures that Muuga, like Tallinn City Port with its 16.5-metre draught, is able to take every kind of vessels able to sail in the shallow Baltic.

Neste, the Finnish oil company, has helped finance a 500,000-ton oil storage facility at Muuga while Japan's Sumitomo bank, as well as the World bank, the EBRD and other international financial institutions are involved in plans to build a 300,000 unit capacity container terminal, a coal export facility for the Russian trade and improved ro-ro and other facilities.

St Petersburg, by comparison, is poorly equipped and much shallower as well as dangerously polluted and poorly guarded, Already a high proportion of Russian trade including mineral shipments *by rail from as far afield as* Kazakhstan, plus more than 70,000 Lada cars for export and other fragile, or vulnerable cargoes, are shipped through Tallinn.

*The harbours and the new* Estonian shipping lines carved out of Morflot, the former all-union Soviet shipping company, are the main source of hard currency earnings. Taken together, the income from hard currency services – shipping, port services of all kinds and tourism – help to keep the current account in surplus.

These *activities form* the basis for future development of a largely service-based economy for the capital city and its entrepôt trade with the former Soviet states and the rest of the world. To this important *extent, the real potential of* Tallinn will only be reached when Russia itself is more prosperous and *linked to foreign trade.*

Meanwhile, Tallinn is the home port for the Estonian Shipping Company (ESCO), which took over maritime assets left at the time of the Soviet *dissolution. It has* embarked on an ambitious renewal programme to update its current fleet of 73 vessels of 517,000 dwt capacity. Its inherited stock of general purpose ships, ro-ro vessels, timber carriers, bulk carriers and river-sea going ships have an average age of nearly 18 years.

The company, due to be privatised by the end of 1995, carried 5.23m of the just over 11m tonnes of cargo which passed *through Tallinn port complex*, including the new port of Muuga, last year.

Trade with Scandinavia generally is rising strongly, although the fastest rise in both passenger and freight *traffic is on the short Tallinn*-Helsinki run of only 80 kms, essentially a link in the mooted Via Baltica super-highway which will eventually connect Helsinki, and St Petersburg through the Baltic States *to markets in central, southern* and western Europe.

With well over 2.3m passengers now passing through Tallinn every year, a new ferry *terminal building will be ready* for the start of the tourist season in May.

Mr Peeter Palu, who was construction minister in the former communist-era government, remembers how all key jobs in both the port and the connecting transport services, as well as the bulk of manual grades, were effectively reserved for Soviet (meaning *non-Estonian) citizens.*

"Under market conditions the port is already being run very differently," he says.

■ FOREIGN TRADE

# Shift in direction from east to west

**Estonia's foreign trade more than doubled last year, but Russia remains an important partner, as Anthony Robinson reports here**

When Mikhail Gorbachev, the last Soviet president, sought vainly to keep Estonia and the other Baltic states within the Soviet Union he warned that divorce would cut the umbilical cord which kept Estonia supplied with energy and raw materials and lead to economic disaster.

Nothing could have been further from the truth, although Mr Gorbachev almost certainly believed in what he was saying.

Within two years Estonia has shifted from more than 90 per cent dependence on the Soviet market to around 30 per cent, including trade with its Baltic neighbours, Latvia and Lithuania which it is trying to *boost through the Baltic free* trade agreement.

Russia remains an important trading partner with strong potential for rapid growth once *this can be placed on an ordi*nary commercial basis. St Petersburg, with more than 5m inhabitants in the city and its surroundings, is a rich potential market for agricultural and industrial goods.

Tallinn and other Estonian ports are well-placed to serve the expected growth of Russian foreign trade into the 21st century.

Estonia's experience over the last three years demonstrates that a combination of political independence, a strong currency and a rational, market-determined price structure can lead to dramatic shifts in both the direction, volume and usefulness of foreign trade.

**Value of foreign trade**

| Period | Exports EEKm. | Imports EEKm. |
|---|---|---|
| 1991 | 510 | 445 |
| 1992 | 5,548 | 5127 |
| 1993, half year | 4,295 | 4,452 |

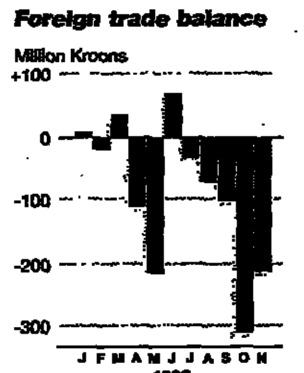
*In the specific Estonian case* it has led both to a change in the pattern of trade, as energy and raw material consuming industries have been closed or cut back, and a *geographical* shift in trade from east to west.

Both aspects have been helped greatly by the physical proximity of Finland, only 80kms across the Gulf of Finland, and the cultural and linguistic affinity between these two Finno-Ugaric peoples.

Even so, the turnaround has been exceptional. In 1991, more than 56 per cent of Estonian exports – mainly foodstuffs, textiles, chemicals and machinery – went to Russia alone and over 90 per cent to the Soviet Union as a whole.

Total dependence on Soviet oil and gas ensured a similar pattern of imports with Russia alone accounting for 46 per cent of imports.

In 1993, Estonia's foreign *trade more than doubled to* around EEK20,000m (over $1,450m). Detailed figures for the first nine months show that exports, at EEK7,143m grew by 218 per cent compared to the same period in 1992 *while imports grew 240 per* cent to EEK7,515m, leaving a small negative balance of EEK372m.




Further strong trade growth is expected as Estonia, with its excellent deepwater ports, resumes its old Hansa league *trading habits and the eco*nomy expands.

Given the small overall size of the economy, the biggest potential for growth lies in shipping services and the development of an already sub*stantial entrepôt trade. With a* touch of irony, and some immodesty, the port of Tallinn likes to bill itself as the "Hong Kong of the Baltic."

The move of Estonian exporters into new markets meanwhile will be facilitated by a series of new trade agreements.

These started in July 1992 with the bi-lateral free trade agreements with Finland, Norway and Sweden.

This was followed by the trilateral free trade agreement between Estonia, Latvia and Lithuania in September 1993.

This year, Estonia and the European Commission are due to discuss a free trade agreement with the EU, talks which will largely try to eliminate the possibly harmful consequences of Finland's own application for EU membership.

For Estonia, close trade and investment links with Finland are vital. In 1993, Finland became both the main export market, taking 22 per cent of Estonian goods compared to Russia's 20 per cent, and the main source of supply, 25 per cent of total imports compared *to the 19 per cent supplied by* Russia. Sweden and Germany are the next most important trade partners.

# Light industry benefits from innovative drive

It seems a long time ago now, *but back in the late 1980s*, a man called Mikhail Gorbachev was struggling valiantly to shore up the Soviet economy.

He gave enterprises more independence, in the hope they *would behave like western* ones, and encouraged them to seek help with re-tooling, particularly if they were makers of scarce consumer goods.

In Russia, the old dogs of communist industry were reluctant to learn new tricks. Instead of making better consumer goods, they used their newfound freedom to splash out on western luxuries as a treat for their workers.

But the Baltic states were a *different story*. By Soviet standards, they already had flourishing, innovative light industries – and they jumped at the opportunity Mr Gorbachev *offered them. For this, at least*, independent Estonia has reason to thank Mr Gorbachev.

A typical beneficiary of the Gorbachev innovation drive is Baltika, a Tallinn company staking out a claim to be the region's leading garments maker. Three years of consultancy from the UK company Taylor Woodrow helped the 66-year-old business re-orient *its production from the unde*manding Soviet market to the more bracing atmosphere of Scandinavia. With average daily output of 1,000 jackets and blouses, 2,500 pairs of trousers, and wages of less *than one fifth of the Scandina*vian level, Baltika is a useful sub-contractor for middle-market European clothing chains such as Next and C & A.

Baltika has two labels of its own – Plus B and Baltman – which *it sells at five stores* in Estonia and is now introducing them to Latvia and Lithuania.

While Baltika's own brands *accounted for just 20 per cent* of output last year, the hope is to boost that figure to 50 per cent in 1994.

Group turnover, including 13 wholly or partly-owned companies, is also seen rising *impressively*, to EEK 200m this year from EEK 135m in 1993. But profit margins in the embryonic Baltic market are relatively low (about 6 per cent last year) and as soon as it feels able, the company *hopes to launch its own* labels in western Europe.

Another of Tallinn's light-industries is the HTM ski boot factory. Here, a foreign technology partner of several years' standing – the Austrian-Italian leisure goods consortium, HTM – took a 90 per cent share in the joint venture *that was created last summer* out of Salvo, an Estonian busi*ness that once made helmets* and other plastic goods.

With annual production of 400,000 pairs of ski boots, nearly 8 per cent of total world output, the Estonian plant expects to handle more and more of *HTM's* product range – including ski bindings *and diving equipment.*

Neither Baltika nor HGM makes much use of local raw materials or equipment. Estonia may be full of ailing textile companies, but the quality is nowhere near Baltika's requirements and most of its fabric comes from western *Europe. So, too, does the gran*ulated plastic which is the basic raw material for HTM.

Bruce Clark

In the Russian-speaking border town of Narva, where Slav and Nordic worlds meet, old resentments are never far below the surface

# An acutely sensitive hot spot

Travel to Narva from the west, and you will be struck by the grim monotony of the apartment buildings, by the paucity of decent shops cafes or anything else to relieve the dullness of the scene. But the sensations are quite different when you cross the Narove River and enter the town from Russia under the awesome shadow of a white medieval tower which for centuries was the outmost bastion of Nordic power.

Compared with the adjacent bits of Russia, the pavements look cleaner, the roads better maintained; and the visitor is grateful for a restaurant that can serve up a tasty enough version of steak, egg and chips, and would not disgrace a depressed Belgian mining town.

Narva has often been a nodal point between the Slav and Nordic worlds. In 1700, Peter the Great suffered a humiliating blow when the army he sent to the town was routed – it was this defeat which spurred him to wrest the whole Baltic region from the Swedes.

Today, the town is once again an acutely sensitive spot, for there is nowhere else in independent Estonia which has such a high concentration of ethnic Russians. Barely 3,000 of the 82,500 townspeople are of Estonian origin. And if relations between the Estonian authorities and the Russian-speaking community should ever break down irretrievably, this is where the break will come.

Just over the river – and the border – lies the Russian fortress town of Ivangorod, which in Soviet times formed a single conurbation with Narva.

Because it views itself as legal successor to all the territory of the pre-war republic, Estonia formerly asserts sovereignty over Ivangorod. And there are hotheads in Russia who also want to re-unite the towns – by taking Narva back. So Narva is the place where Estonia's biggest internal problem can be seen in sharpest relief.

Since language skills have been made a criterion of Estonian citizenship, more than 400,000 of the republic's inhabitants have failed to quality for passports. Essentially, these people are Soviet-era immigrants brought to the Republic by the Communist regime as soldiers or workers in new industries.

They are the reason why the ethnic Estonians share of the republic's population has fallen from 88 per cent in 1940 to just over 60 per cent today. And "immigrants" and their families form the overwhelming majority of the population of Narva, where only 12 per cent of residents have qualified for Estonian passports.

Although Estonia has convinced several pan-European bodies that its laws do not violate human rights, the *de facto* situation is a peculiar and potentially dangerous one.

About one Estonian resident in three can complain that he is subject to "taxation without representation." The non-citizens are agents in the Estonian economy – as tax payers or social benefit collectors – and subject to Estonian law, but they have no input into Estonian policy.

For many members of the minority, discontent over their legal status is assuaged by relative material well-being. A Russian factory worker in Tallinn is still better off than his counterpart in St. Petersburg – but that factor hardly applies in Narva. One in three residents is a pensioner, relying on an income that is barely above the poverty line. And Narva's factories, once show pieces of Soviet industry, are in difficulty.

The sensitive Baltiits, which makes equipment for handling uranium, has work for barely 1,000 of its 5,000 employees. Its best hope probably lies in marketing high technology medical apparatus.

Less than half the 12,500 workers at Kreenholm, a giant textile factory, are gainfully employed. It has become virtually impossible to procure the basic raw material, cotton from central Asia, for the simple reason that it gets stolen on the way through Russia.

After dipping into insolvency, Narova, a furniture factory, is struggling back on to its feet, thanks to partners in Israel and new customers in Hong Kong. But its chairman, Mr. Valery Myachin, says it has been an uphill struggle to wean his 1,500 employees off the Soviet habit of production for production's sake.

Political tension came to a head last summer when the Estonian parliament passed a law requiring all inhabitants to apply for citizenship or residents permits, a move that appear to mean expulsion for those who failed to qualify for either.

In a stinging rebuke, President Yeltsin accused the Tallinn authorities of practising "ethnic cleansing" and apartheid. He warned that they would bear the "entire responsibility" for any breach of public order.

His adviser, Mr. Sergei Stankevich, went even further: he warned that the Russian minority would reserve the option of "self determination" if its rights were trampled upon.

Translated out of Soviet language, these threats were clear enough unless Estonia was a little kinder to its Russians, Moscow might sponsor a local "independence" movement within Estonian territory which could tear the Republic apart – that is exactly what Moscow has done in Georgia and Moldova, with tragic results. In both those cases, Moscow made the calculation – correctly – that the Republic authorities would over-react to the situation.

So the challenge for the Estonian government is how to avoid falling into the same trap. Events appeared to be moving in an ominously familiar direction last year when pro-Russian politicians defied Tallinn and staged a referendum on "autonomy" for the town. And organisers claimed that over half the adult population passed ballots; the Estonian authorities – who urged residents not to vote but did not physically prevent them – dismissed this figure as an exaggeration.

Tension in Narva has eased since it became clear that most ethnic Russians in Estonia will, in practice, receive residents permits for another five years. Another stabilising factor was the outcome of last October's fighting in Moscow, and the defeat of the "parliamentary" forces which had always been keen sponsors of the most militant factions in Narva.

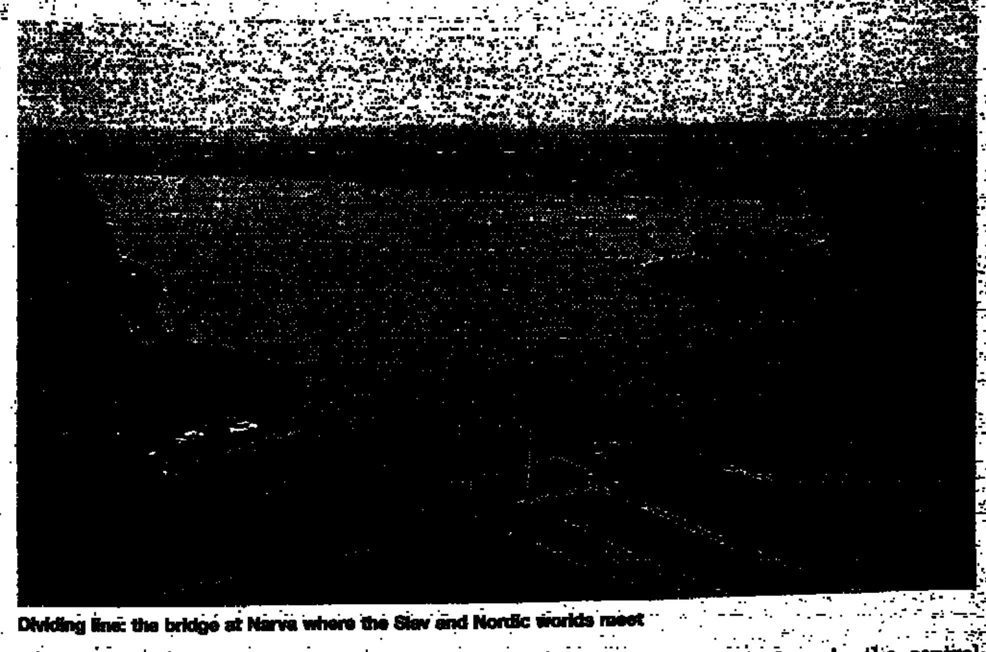
But resentment is never far below the surface. Estonian law allows resident aliens to vote in local elections, but not national ones. And even in local ballots, only citizens may stand for office.

So Narva's old town council, elected under Soviet procedures, has recently been replaced by a new municipal authority in which the key figures are Estonian or at least pro-Estonian. The new authority maintains that its predecessors and their friends in local industry, deliberately turned away foreign investment proposals because economic discontent suited their political book.

"The old leadership wanted social tension, so they could call meetings in the central square and whip up false rumours," says Mr. Ants Liinets, the Municipal Secretary. "It was easier for them to do that when the local economy was in serious difficulty."

The challenge for the new administration is to boost local living standards to the point when the populace no longer provides tinder-dry material for Russian nationalist firebrands – from the town or further afield.

**Bruce Clark**



Dividing line: the bridge at Narva where the Slav and Nordic worlds meet

■ AGRICULTURE

# Farmers bring home the bacon

At first glance, Estonia's agricultural statistics seem to tell a story of disaster. Yet the sector is recovering steadily from the shock of Soviet collapse, and it is already contributing substantially to the republic's economic turnround, writes **Bruce Clark**

Estonia's hardy, practical folk have always been first-rate farmers. In the 1930s, the country foreshadowed the post-war success of Denmark as an agricultural exporter; its seed potatoes were admired all over Europe, and its bacon and eggs were sold in every city from London to Leningrad.

Under the Communist system, too, Estonia was an important supplier of meat and dairy products to Russia. Its agronomists prided themselves on keeping in touch, through their contacts in Scandinavia, with all the developments in agricultural technology; and it is still hard to convince them that they have something to learn from western Europe about growing potatoes.

Collective farms in the smallest Soviet republic carved out a formidable reputation as purveyors of farming skills to the rest of the Union. Compared with other Soviet regions where nature had been much kinder, the Estonians' use of fertiliser was far more efficient and their veterinary knowledge outstanding.

The Danish-built slaughterhouse at Rakvere, capable of handling 800 cows a day, meets the highest international standards, as does the dairy products factory at Viru.

All this should have left Estonia better equipped to face the brave new capitalist world than most parts of the former communist empire. But the economic disintegration of the Union – and the breakdown of virtually all agricultural trade with Russia – was, at least in the short term, a body blow.

It was not so much the loss of revenue from Russia, which was modest enough, as the instant creation of a huge mountain of surplus farm produce which depressed prices on the internal market. The livestock industry, traditionally dependent on Russian fodder, was only saved from collapse by free deliveries of western feed-grain.

From Estonia's point of view, the ideal solution to the crisis would be a steady increase in agricultural sales to the West. Farm goods already account for more than 20 per cent of total exports, more than any other single sector, and quality control and packaging are more and more closely aligned with western requirements.

**The economic disintegration of the Soviet Union was, at least in the short term, a body blow**

But Scandinavia and western Europe are, of course, brimming with their own, heavily subsidised farm output. Indeed, Finland effectively dumps on Estonia a significant slice of its domestic farm surplus, which is duly bought in the shops of Tallinn by bargain-hunting tourists from Helsinki.

So Estonian farmers will have need to be even more canny than usual if they are to secure a firm niche in the west. Output of some of Estonia's key products has plunged since independence. Milk production is projected at 600,000 tonnes this year, down from 1m in 1991, and the grain harvest is forecast at no more than 550,000 tonnes, down from 940,000 three years ago.

Last year, farm gate prices in both those sectors were barely half the international level. Only now is the market tightening to the point where makers of high-quality cheese are finding it difficult to obtain milk of the right grade.

Western experts see specialist meat and dairy products – blood sausage, gourmet cheeses, milk powder – as providing Estonia's best hope of gaining a long-term foothold in overseas markets. The export of live animals to the Middle East, notably sheep to Syria, is another lucrative business.

"About one-third of our farmers have already adapted their thinking to the market-place," says Mr Ants Laansalu, a senior official at the agriculture ministry. "Some of the remainder still believe in production for its own sake. But they will gradually adapt."

Yet two question marks hang over the future of Estonian farming. One is the structure of ownership: how fully and how soon Estonia will switch from the agricultural collectives of the communist system to reliance on the family farms which seems to be in the blood of every Estonian?

There is a universal consensus on the desirability of reverting to private farming, and of restoring as far as possible the title deeds of pre-war farmers and their descendants. The legal procedures by which former owners can reclaim their land do exist, although they are in need of refinement. And yet the privatisation process has been curiously slow.

In Soviet times, Estonia had about 350 large farms, either state-owned or collective. After two and a half years of independence, the proportion of land farmed privately is still only 14 per cent, while the "socialist sector" has undergone a very limited break-up into about 1,000 co-operatives and public companies.

No one denies the difficulties in the way of privatisation. Many pre-war family farms have been gobbled up by expansion in forestry, and some have been divided between collective institutions. Most pre-war farming families will no longer want to work the land themselves; and the interests of current users must also be secured.

The average pre-war smallholding, at 25 hectares, would not be economic in today's conditions. Many of them consist of narrow strips – measuring, say, 30 metres by 1,000 – which were sliced out of German baronial estates in the 1920s. By now, the strips have been merged into huge fields, and it would make little economic sense to divide them up again.

And yet the consensus among experts is that, given the political will, all these difficulties can be overcome. Since the the pre-war land registries are intact, it should be possible to identify pre-war farming families and invite them to choose between selling or renting to the state or current users. There is a mystery as to why this has not happened.

The other question mark concerns sales to Russia, which are of course linked to the wider issue of relations with the eastern neighbour.

The absence of an inter-governmental trade agreement with Russia rules out any revival of the old state-to-state arrangements; but with capitalism flourishing in both countries, it ought to be possible to revive the old trade on a strictly private sector basis.

There are two questions in the minds of Estonian officialdom: is the Russian government willing to give Estonia the economic shot in the arm which reviving the farm trade would mean? And if not, can it actually stop Russian businessmen from importing Estonian produce if they want to?

Estonian eggs have returned to the St Petersburg market, and Russian tariff barriers on Estonian fish have failed to disrupt that trade. But many Estonians fear that if the cross-border trade in meat and dairy products shows signs of reviving, Russia will immediately erect more tariff barriers, for reasons that are as much political as economic.

As in every other sector of Estonian life, the influence of the Russian factor is an enigmatic one. And indeed, there are some suspicious minds who attribute the slowness of the privatisation process to the hidden hand of Moscow. And it is undoubtedly true that re-establishing Estonia's yeomanry on its ancestral lands would make the territory that bit harder to occupy.

Soviet planners' efforts to exploit shale have boosted energy supplies

# Grim legacy has surprise benefits

On a snowy winter day, the neat wooden houses of Kivioli village seem picturesque – until you sniff the acrid air and remember the ecological horror visited on the once fertile lowlands of north-eastern Estonia.

By the laws of market economics and in the light of environmental common sense, the layer of shale which underlies the entire region should have been left where modern man found it – a few metres below the ground. The commercial and human cost of extracting the black, stony mass created by algae 450m years ago is surely far greater than the value of the oil, bitumen and other chemicals which the shale contains.

But Soviet planners did not see things that way, and their determination to extract, process and exploit almost anything at almost any price has had a happy side-effect.

Whereas most of the former Soviet republics depend on Russia for their energy, and are therefore acutely vulnerable to political and economic pressure from Moscow, Estonia can satisfy all its electricity needs – and 65 per cent of its total energy requirements – from domestic sources. At Kivioli and two other quarries, plus six deeper mines, 14m tonnes of shale is extracted a year.

"If we were starting from scratch, nobody would mine shale on this scale. But since we have inherited the machinery and plant, it makes sense to continue," says Mr Leonid Talko, director of the open-cast works at Kivioli. His excavators have already covered an area of 6 kms by 3 kms, and mining is expected to continue for another 15 years; Estonia's entire shale reserves could last for another century.

**Estonia's energy planners aim to take maximum advantage of the republic's self-sufficiency in power**

The sharp-smelling air is caused not by the mining itself so much as the coking plant next door. In addition to extracting oil, it produces bitumen, formalins, and a host of industrial chemicals as well as turning out – in a unique use of shale – consumer products such as shampoo and detergents. While the mountains of stone thrown up by mining can be reforested with success, the tips of waste left by coking are disastrous. Their deadly cocktail of phenols and benzofurans will, if left untreated, seep steadily into Estonia's ground water.

With oil accounting for about 20 per cent of the shale by volume, that means that Mr Talko is being paid a meagre $20 per tonne of petroleum equivalent. Electricity is sold to the consumer at less than 2 US cents per kilowatt-hour.

If the necessary grid were constructed, Estonia could make a handsome profit by exporting power to Sweden and Finland. In Soviet times, the republic was at one point sending 60 per cent of its electricity output to Russia and Latvia; now recession in those countries has reduced that business to a fraction.

Estonia's energy planners aim to take maximum advantage of the republic's self-sufficiency in power while minimising dependence on Russia in liquid fuels and gas.

In January, Estonian companies which buy fuel oil from Russia reported that they were finding it harder and harder to get supplies; and the national power utility, Eesti Energia, acknowledged that only 30 per cent of its tanks were full.

To balance the effects of this, the authorities are battling to reverse the profligate energy consumption habits of the Soviet period – when gas entering Estonia was not even metered and homes and factories were poorly insulated.

The cost to consumers of imported gas and fuel oil has been raised sharply, while the use of peat and wood-burning plants for urban heating systems has been encouraged.

At Kivioli, Mr Talko – a Ukrainian with a brisk, competent manner – is the first to acknowledge that proper husbandry of Estonia's energy resources will not be accomplished overnight. He points with a shudder to the flimsy window frames of his office, a poor defence against the icy winds outside, and asks: "How is anyone supposed to heat a room like this?"

**Bruce Clark**

**Bruce Clark** highlights Estonia's inventive tradition and creative flair

# A nation of talented innovators

Estonians make good inventors. The small Estonian community in Sweden has produced several talented innovators and Estonia's Johannes Hint – whose efforts were rewarded with a criminal case and a grisly death in prison – had one of the most original scientific minds in the former Soviet Union.

Mr Toom Pungas is another standard-bearer of Estonia's inventing tradition. A florid, genial figure whose looks reflect the Estonian farming stock from which he springs, Mr Pungas rose to considerable prominence in the Soviet scientific world.

In the 1980s, Moscow put him in charge of a sensitive government project seeking to reduce – from a staggering seven years – the average time lag between scientific discoveries and their application in Soviet industry. He was successful enough to make some bitter enemies, notably bureaucrats in Moscow industrial ministries with a vested interest in maintaining the time lag.

He has now returned to his native Estonia where he heads the local Inventors' Union and campaigns vigorously for the adoption of tough patent laws.

While his work in Moscow involved pioneering technology in fields such as lasers and compact discs, Mr Pungas is engaged in the more homely task of restoring the 60-hectare family farm where he grew up.

He believes he has found a way to bring his ancestral acres – ruined by noxious waste from the shale-oil industry – back to life, and solve a number of ecological problems.

In a discovery for which he recently filed a US patent application, Mr Pungas has made an environmentally friendly fertiliser out of oil-shale waste, mixed with pigs slurry – another pollutant that is turning the Baltic into a dead sea – plus an activator produced by Medina, an American biotechnology company.

The oil-shale tips, Mr Pungas points out, are a hazard which will need to be neutralised, anyway. His proposal is to create soil-enriching virtue out of a pollution-fighting necessity. The alkalinity of the oil-shale waste – micro-organisms cannot survive in it – is counterbalanced by the acidic pig slurry so the redolent mixture becomes an agency for restoring micro-organic life, as well as minerals, to the soil.

The inventor reckons his fertiliser soil could be used by Middle Eastern states battling desertification and for reforestation in Scandinavia on soil damaged by chemical fertiliser and acid rain. After "extremely positive" indications from tests on potatoes and tomatoes, he plans to go into production on a small scale – about 30,000 cubic metres – this year and hopes to capture a large chunk of Estonia's 3m ton per year market in fertiliser soil.

But Mr Pungas is not counting any chickens, or fertiliser pellets, yet. Already, he says, he sees signs of "negative reaction" to his project: samples disappearing, faxes going astray, production licences failing to materialise.

He says he cannot tell whether this reflects the activity of commercial rivals, or of governments who fear the economic strength that pioneering a successful fertiliser project would give Estonia.

But if Estonia's inventors are permitted, mixing shale waste and slurry will be the first of many ideas and the country's ability to convert these ideas into profitable production will be a test of its viability as a small but efficient outpost of capitalism.

**Bruce Clark**

# LONDON STOCK EXCHANGE

MARKET REPORT

## Gains reversed following Federal Reserve move

By Terry Byland, UK Stock Market Editor

The recovery of confidence in the London stock market, extended in early trading yesterday, was abruptly challenged when the British government bond market collapsed after the US Federal Reserve moved to tighten interest rates by a quarter of a point. Equities reversed their initial gains to close with a fall of 30.1 on the FT-SE 100 Index, which moved through a 53 point range during the session.

There was no great rush to sell equities, although stock index futures suffered heavily, with the June contract on the Footsie Index wiped off the screens at one time, while the September contract quotation became a "fast market" – in which market makers are not obliged to deal at quoted prices.

Once the shock was over, equity strategists expressed surprise at the market's violent reaction to a move by the Federal Reserve which has been widely predicted; many US strategists have warned that Federal Funds rate was likely to be raised before the next meeting of the Federal Open Market Committee.

The FT-SE Index closed virtually at the day's low, its 30.1 point fall taking it to 3,138.2, with the important support level of 3,150 brushed aside. London's dismay deepened as Wall Street opened lower before rallying to show a 27 point loss in London trading hours; New York bonds and equities resumed their downturn after the UK market closed.

The setback in UK stocks was all the more disturbing for traders because, in the early part of the session, the market had shown significant confidence in prospects for a base rate cut in the very near future. A trading programme worth nearly £00m was identified at mid-morning.

This was largely based on Friday's disclosure that domestic inflation has remained low, but was buttressed by further economic data published yesterday.

The latest survey of opinion in the distributive industry from the Confederation of British Industries indicated that retail sales had slowed last month. Official statistics showed that UK producer prices had risen by only 0.1 per cent in March, below expectations.

Both reports raised hopes in the market that base rates might be cut quickly in order to foster economic recovery. Market analysts believe that the decision to cut rates could come this week, if the March retail sales statistics, due on Thursday, show further weakness.

These views took the Footsie ahead by 23 points in early deals, although this gain was soon clipped back when bond markets across Europe began to soften as the US dollar eased. But London was still some 10 points up when news of the Federal Reserve move flashed across the trading screens in London.

In spite of the day's setback, analysts were hopeful that the UK market could remain firm – but only if global bond markets can hold safely establish themselves at new levels. Rumours of renewed heavy losses among bond traders circulated yesterday.

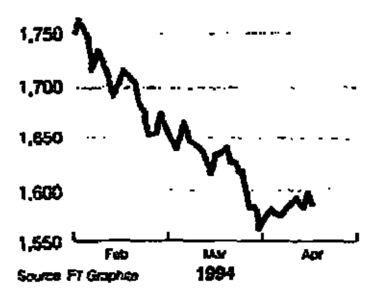
The FT-SE Mid 250 Index fell 10.6 to 3,814. Seaq volume increased sharply as futures markets plunged, sparking off heavy arbitraging between stock index contracts and the underlying stocks. But non Footsie stocks made up around 63 per cent of the day's total of 683.5m shares. On Friday, 698.8m shares were traded, worth £1.32bn in retail business.

**Account Dealing Dates**

| | | | |
|---|---|---|---|
| *First Dealings: | Apr 11 | Apr 25 | May 16 |
| Option Declarations: | Apr 21 | May 12 | Jun 2 |
| Last Dealings: | Apr 22 | May 13 | Jun 3 |
| Account Day: | May 3 | May 23 | Jun 13 |

*New time dealings may take place from two business days earlier.

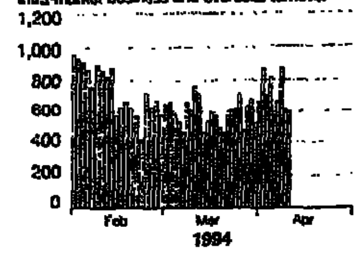
**FT-SE-A All-Share Index**



Source FT Graphite

**Equity Shares Traded**

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



**Key Indicators**

Indices and ratios

| | | | | | |
|---|---|---|---|---|---|
| FT-SE 100 | 3138.2 | -30.1 | FT Ordinary Index | 2486.3 | -20.8 |
| FT-SE Mid 250 | 3814.0 | -10.6 | FT-SE-A Non Fins p/e | 20.66 | (20.79) |
| FT-SE-A 350 | 1596.5 | -12.8 | FT-SE 100 Fut Jun | 3138.0 | -49.0 |
| FT-SE-A All-Share | 1587.45 | -11.71 | 10 yr Gilt yield | 7.87 | (7.80) |
| FT-SE-A All-Share yield | 3.66 | (3.64) | Long gilt/equity yld ratio: | 2.20 | (2.17) |

**Best performing sectors**

1. Engineering, Vehicles +0.9
2. Oil Exploration +0.5
3. Gas Distribution +0.5
4. Spirits, Wines +0.5
5. Chemicals +0.1

**Worst performing sectors**

1. Water -2.5
2. Pharmaceuticals -2.1
3. Property -1.7
4. Extractive Inds -1.5
5. Banks -1.5

## Storehouse hit by sellers

High street retailer Storehouse was hit by the departure of another senior executive, which prompted a sharp fall in the shares and a change in stance from a number of brokers. Analysts said the resignation of the Mothercare division chief executive was a particular blow, given the impressive performance by Ms Ann Iverson in improving the baby and children clothes business, which is seen as one of the group's key growth areas over the next few years.

One stores analyst said: "Any senior resignation like this is bound to make people jumpy, but with Storehouse it seems to be becoming a habit." The group has had four finance directors since 1989 and three chief executives since 1988. The shares retreated 11 to 218p with turnover a hefty 9.2m.

Among those shifting stance on Storehouse was Hoare Govett which went from "undervalued" to "hold", recommending investors turn their attention instead to Sears. Coincidentally, Sears, together with Next, were being mooted as potential bidders for Laura Ashley, the fashion retailer which last week lost its chief executive. Analysts said that such a move would cost in the region of £285m and had the drawback of inheriting Laura Ashley's troubled US business. The takeover talk kept the shares of all three groups steady, with Laura Ashley slipping a half-penny to 79p, Next improving a penny to 238½p and Sears remaining at 126½p.

## Eastern Elec. firm

Eastern Electricity was one of only a handful of FT-SE 100 constituents to make any substantial progress yesterday, the shares advancing strongly to close 8½ higher at 656p following turnover of 4.7m.

The rise came as the company paid a big premium to complete its share buy-back programme. Yesterday Eastern bought 4.1m shares at 875p a share.

Eastern received shareholder approval to embark on a share buyback programme involving 13.5m shares last August. Yesterday's deal produced an average buyback price of 553p a share for the whole re-purchase programme.

Other regional electricity stocks made good progress at the outset of trading, helped by ongoing speculation that the whole of the electricity distribution and generation sectors may benefit from increasing speculation of potential stake-building and merger activity which could take place before the Government's golden shares in the companies disappear in March 1995.

Also helping to drive the sector was a story that the National Grid, owned by the 12 "recs" was being prepared for a public flotation next year.

## Budgens upset

A profits warning from Budgens, the discount food retailer, was the signal for a retreat among other smaller operators. Budgens said that trading profits were likely to come in at around 15 per cent lower than last year, blaming the tough trading climate. The group also said that its new trading format being undertaken with Rewe, the German discount group which owns 29.4 per cent of Budgens, had incurred additional costs. Budgen shares slid 5 to 29p. Kwik Save retreated 15 to 568p, William Low 7 to 138p and Shoprite 9 to 192p.

Pharmaceuticals stocks suffered continued selling with Glaxo worst hit in the suffering sector as traders picked up on a story in a US newspaper.

The newspaper reported that the family of a woman who died after taking the company's anti-migraine drug was to sue Glaxo. A Glaxo spokesman confirmed hat legal action was being taken but added: "Sumatriptan has been subject to rigorous screening throughout its development and is now licensed in 67 markets worldwide and has been taken by over one million patients." The shares fell 17 to 558p with 6.3m traded.

Elsewhere, Wellcome fell 10 to 528p in spite of a report that the companies AIDS treatment would remain the cornerstone of combination therapies. SmithKline Beecham slipped 5 to 359p in the 'A's.

A two-way pull in Associated British Foods saw the shares shade 2 down to 596p. The shares came under pressure early on following weekend press speculation that the sale of the Bakers Oven business could make as little as £9m, rather than the £30m pencilled in by some analysts. However, more positive talk later in the session revived rumours that AB Foods was interested in buying some of the food businesses of Allied Lyons. Last week, Dalgety was said to have been telling analysts of its interest during a company visit. Dalgety shares were steady at 458p. Allied slipped 3 to 581p.

Royal Bank of Scotland was the only leading bank to escape the Wall Street-led decline in the market, with Credit Lyonnais Laing said to have been behind some strong support for the Scottish bank. RBOS shares settled 6 higher at 404p after turnover of 3.9m shares.

Caradon, the building materials company, jumped to 380p early in the session, on buying stimulated by a Kleinwort Benson buy recommendation before slipping back to close a net 7 higher at 372p.

Oil shares, which have been driven sharply higher in recent sessions by a strong oil price and a firm Wall Street, turned easier yesterday as US investors took fright at the prospect higher domestic interest rates. And there was talk that some broking houses had adopted a much more cautious view of the oil stocks after their recent big gains.

The majors bore the brunt of some hefty selling, which mostly emanated from New York, with BP settling 4 easier at 386p and Shell 3 down at 725p.

Clyde Petroleum, marginally higher at 35p, confirmed market suspicions that US fund management group Fidelity was the recent big seller of a three and a half per cent stake in the group.

Dealers became increasingly bullish about the market debut of Ashanti Goldfields this afternoon and the probable impact the flotation will have on Lonrho, the UK conglomerate which will retain a 43 per cent stake in Ashanti.

Talk late yesterday suggested that Ashanti shares will commence trading around $20 a share. Lonrho closed 4½ higher at 154p after turnover of 8.7m.

A recommendation from Hoare Govett helped Wakebourne, the computer support company, jump ¾ to 3¾p.

**MARKET REPORTERS:**
Peter John, Chris Price, Christine Buckley Steve Thompson.

■ Other statistics, Page 29

### NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (87). [illegible] Volkswagen, EXTRACTIVE INDS (3) Consld. Murchison, Kidston, Monarch Res., FOOD MANUF (1) Linton Park, HOUSEHOLD GOODS (2) Portmeirion Potts., Waterford Wedgwood, INVESTMENT TRUSTS (7) INVESTMENT COMPANIES (4) LEISURE & HOTELS (1) Ramsden's (H), MEDIA (2) Metal Bulletin, Telegraph, MERCHANT BANKS (1) Rea Bros., OIL EXPLORATION & PROD (3) Brit. Borneo, LASMO, Monument Oil, OTHER FINANCIAL (1) Western Stn., PRTNG, PAPER & PACKG (2) Smith (DS), Wyndeham Press, PROPERTY (1) Aukett Assocs., RETAILERS, GENERAL (1) Oliver, SUPPORT SERVS (3) Admiral, McConnell Info, Sema, TEXTILES & APPAREL (4) Alexandra Workwear, Dewhurst, Dunlop Neel, Toray, TRANSPORT (2) AMERICANS (1)

NEW LOWS (98). BANKS (1) Lloyds, BREWERIES (1) United Breweries, BUILDING & CNSTRN (2) CHEMICALS (1) Wardle Storeys, DIVERSIFIED INDLS (1) ELECTRNC & ELECT EQUIP (4) Crachley, Dale, Dewhurst A, Prestwick 7½pc Prf., ENGINEERING (3) GEE, Powerscreen Int'l., Triplex Lloyd, EXTRACTIVE INDS (4) FOOD MANUF (1) Booker, HOUSEHOLD GOODS (1) Lionheart, INSURANCE (1) Skandia, INVESTMENT TRUSTS (3) INVESTMENT COMPANIES (3) LEISURE & HOTELS (2) Allied Lsre., Jurys, LIFE ASSURANCE (1) Lincoln National, MERCHANT BANKS (1) Kleinwort Benson, OIL EXPLORATION & PROD (1) Crossroads Oil, OTHER FINANCIAL (8) OTHER SERVS & BUSNS (3) EFG, Photo-Me, Rodime, PHARMACEUTICALS (6) Glaxo, Proteus Int'l., SmithKline Beecham A, Do Units, Wellcome, Zeneca, PROPERTY (4) RETAILERS, FOOD (2) Budgens, Low (Wm), RETAILERS, GENERAL (2) Colorvision, Dixons, SUPPORT SERVS (6) TELECOMMUNICATIONS (1) TEXTILES & APPAREL (2) Albion, Yorklyde, TOBACCO (1) TRANSPORT (1) CSX, WATER (12) AMERICANS (6) CANADIANS (4).

### EQUITY FUTURES AND OPTIONS TRADING

Arbitrageurs enjoyed huge scope for manoeuvre yesterday in equity derivatives with the June FT-SE 100 contract flinging itself from strength to frailty, Christine Buckley writes.

The contract began confidently as markets focused on hopes for a UK interest rate cut but was pushed into a tail spin by the US Fed's hike in interest rates which came just over an hour before trading on Liffe closed.

Relatively low volume pumped up volatility with sellers swinging the market more than they would have done in a more liquid state. At one stage, quotes on the contract were moving so rapidly a fast market was declared - meaning that trading can continue but that quoted prices are not firm. In such rare periods the exchange does not operate its usual responsibility via the clearing house.

The contract moved through nearly 60 points after climbing to an intraday high of 3,191 early in the session to languishing around the 3,132 mark just before close and at a discount to the cash market of several points. It edged up to 3,138 at the official close with a little over 12,000 contracts traded.

Hanson dominated the stock options with James Capel behind the 8,118 lots traded. The broker bought 4,000 May puts and sold November 260 puts to roll over its position.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 3195.0 | 3138.0 | -49.0 | 3204.0 | 3132.0 | 16579 | 54468 |
| Sep | - | 3159.5 | -49.5 | - | - | 0 | 678 |
| Dec | - | 3169.0 | -49.0 | - | - | 0 | 10 |

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 3855.0 | 3800.0 | -25.0 | 3855.0 | 3800.0 | 315 | 2814 |

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | - | 3787.5 | - | - | - | - | 913 |

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3143) £10 per full index point

[illegible]

Calls 4,623 Puts 4,844

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

| | 2975 C | 2975 P | 3025 C | 3025 P | 3075 C | 3075 P | 3125 C | 3125 P | 3175 C | 3175 P | 3225 C | 3225 P | 3275 C | 3275 P | 3325 C | 3325 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| May | 176½ | 14½ | 136½ | 25 | 100½ | 38 | 69½ | 57½ | 46½ | 82½ | 27½ | 114½ | 15 | 152½ | 8½ | 193½ |
| Jun | 190½ | 29 | 154 | 42 | 121 | 58½ | 92½ | 79½ | 69 | 106½ | 49½ | 136 | 34½ | 170½ | 24 | 209½ |
| Jul | | | 175 | 57½ | | | 114½ | 96 | | | 69½ | 149½ | | | 38½ | 217 |
| Sep | | | 210 | 81½ | | | 150½ | 119½ | | | 102½ | 169½ | | | 68½ | 231½ |
| Dec† | | | 251½ | 112½ | | | 192 | 149½ | | | 142 | 196 | | | 103 | 253½ |

Calls 1,259 Puts 2,610 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

| | 3750 C | 3750 P | 3800 C | 3800 P | 3850 C | 3850 P | 3900 | 3950 | 4000 | 4050 | 4100 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| May | 58 | 47½ | 74½ | 69½ | 52½ | 96½ | | | | | |
| Jun | 127½ | 72½ | 101 | 95½ | 78 | 122½ | | | | | |

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

### FT-SE Actuaries Share Indices — The UK Series

| | Apr 18 | Day's chge% | Apr 15 | Apr 14 | Apr 13 | Year ago | Div. yield% | Earn. yield% | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3138.2 | -1.0 | 3168.3 | 3131.7 | 3145.8 | 2830.0 | 3.88 | 6.26 | 19.22 | 33.61 | 1164.41 |
| FT-SE Mid 250 | 3814.0 | -0.3 | 3824.6 | 3792.1 | 3801.2 | 3074.4 | 3.22 | 5.30 | 23.17 | 30.07 | 1396.11 |
| FT-SE Mid 250 ex Inv Trusts | 3830.9 | -0.3 | 3843.2 | 3809.7 | 3817.8 | 3099.2 | 3.34 | 5.71 | 21.69 | 30.71 | 1398.03 |
| FT-SE-A 350 | 1596.5 | -0.8 | 1609.3 | 1591.9 | 1598.2 | 1403.4 | 3.72 | 6.04 | 20.03 | 16.04 | 1212.20 |
| FT-SE SmallCap | 1932.63 | +0.1 | 1931.39 | 1925.47 | 1925.58 | 1546.26 | 2.90 | 4.04 | 30.60 | 13.84 | 1478.09 |
| FT-SE SmallCap ex Inv Trusts | 1904.69 | +0.1 | 1903.02 | 1897.32 | 1896.47 | 1551.94 | 3.07 | 4.47 | 26.02 | 13.60 | 1459.16 |
| FT-SE-A ALL-SHARE | 1587.45 | -0.7 | 1599.16 | 1582.70 | 1588.59 | 1387.43 | 3.66 | 5.89 | 20.53 | 15.62 | 1226.33 |

■ FT-SE Actuaries All-Share

| | Apr 18 | Day's chge% | Apr 15 | Apr 14 | Apr 13 | Year ago | Div. yield% | Earn. yield% | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(18) | 2654.31 | -0.9 | 2677.08 | 2614.42 | 2597.81 | 2154.00 | 3.46 | 4.53 | 27.48 | 30.90 | 1051.40 |
| 12 Extractive Industries(4) | 3914.62 | -1.5 | 3974.41 | 4018.42 | 4023.94 | 3051.20 | 3.31 | 4.55 | 28.39 | 41.61 | 1067.71 |
| [illegible] | | | | | | | | | | | |

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

### TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

# LONDON EQUITIES

### LIFFE EQUITY OPTIONS

[illegible]

### FT GOLD MINES INDEX

[illegible]

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 7 | 57 | 10 |
| Other Fixed Interest | 7 | 5 | 3 |
| Mineral Extraction | 70 | 59 | 73 |
| General Manufacturers | 156 | 122 | 394 |
| Consumer Goods | 38 | 52 | 102 |
| Services | 92 | 116 | 309 |
| Utilities | 8 | 31 | 7 |
| Financials | 91 | 96 | 191 |
| Investment Trusts | 117 | 71 | 284 |
| Others | 61 | 38 | 41 |
| Totals | 647 | 647 | 1414 |

Data based on those companies listed on the London Share Service.

### LONDON RECENT ISSUES: EQUITIES

[illegible]

### RIGHTS OFFERS

[illegible]

### FINANCIAL TIMES EQUITY INDICES

[illegible]

## BANKS

| | Notes | Price | + or − | 1994 High | 1994 low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| ABN Amro Fl | | £22[illegible] | −[illegible] | £23½ | £22[illegible] | 8,244 | 4.9 | ♦ |
| ANZ A$ | | 236½ | +2 | 278¼ | 230½ | 3,093 | 3.8 | 18.8 |
| Abbey National | ♣N□ | 470xd | — | 603 | 463 | 6,245 | 3.7 | 10.0 |
| Allied Irish IE | ♣N□ | 280xd | +1 | 314 | 241 | 1,880 | 4.9 | 8.8 |
| Anglo Irish IE | ♣N□ | 58 | — | *78 | 56 | 102.7 | 7.7 | 10.2 |
| Asahi Y | | 745 | +29½ | 789¼ | 639 | 17,291 | 0.7 | — |
| Banco Bil Viz Pta | | £36 | +⅛ | £38⅛ | £14½ | 3,092 | 6.1 | 7.2 |
| Banco Sant Pta | | £31½ | — | £34½ | £29[illegible] | 3,513 | 4.3 | 12.1 |
| Bk Ireland IE | ♣xo□ | 255 | +2 | *319 | 248 | 1,248 | 4.7 | 19.5 |
| Bank Scotland | ♣†□ | 187 | −3 | 247 | 183 | 2,178 | 3.1 | 25.4 |
| 9¼pc Pf | | 125¾ | −1½ | 141½ | 128½ | 126.8 | 9.1 | — |
| 9¾pc Pf | | 133¼ | −1½ | 148¾ | 131½ | 133.8 | 9.1 | — |
| Barclays | N□ | 519xd | −10 | 648 | 487 | 8,428 | 3.8 | 21.5 |
| Dai Ichi Kan Y | | £12⅞ | +¼ | £12[illegible] | £10⅞ | 40,148 | 0.4 | 71.1 |
| Deutsche DM | | £307¼ | −2¾ | £344¼ | £288¼ | 14,639 | 2.0 | — |
| Espirito Santo | | £20¼ | −⅛ | £26⅝ | £19⅝ | 216.4 | 4.9 | 4.9 |
| First Nat Fin | N□ | 72 | — | *90 | 60 | 110.3 | 2.6 | — |
| 6.3pc Cv Pf | | 83 | — | *98 | 77 | 0.66 | 9.5 | — |
| 7pc Cv Pf | | 149 | — | 171 | 123 | 70.7 | 3.9 | — |
| Fuji Bank Y | | 1540¼ | +33½ | 1540¼ | 1152½ | 44,867 | 0.5 | — |
| HSBC HK | □ | 767xd | −13½ | 1139 | 749 | 13,919 | 3.7 | ♦ |
| HSBC (75p Shs) | □ | 787xd | −14 | 1113 | 738 | 6,499 | 3.8 | ♦ |
| Lloyds | N□ | 537½xd | −9½ | 669 | 537½ | 6,966 | 5.1 | 11.3 |
| Mitsubishi Y | | £15[illegible] | +[illegible] | £16[illegible] | £15⅝ | 64,159 | 0.3 | — |
| Mits Tst & Bk Y | | 1030¼ | +1 | 1030¼ | 687½ | 13,421 | 0.5 | 16.5 |
| Mitsui Tst & Bk Y | | 787¼ | +25 | 811¼ | 514 | 8,438 | 0.7 | 26.8 |
| Nat Aust A$ | | 576 | +2¾ | 620¼ | 537¼ | 7,[illegible] | 4.1 | 14.0 |
| NatWest | N□ | 480xd | −14 | 622 | 446 | 7,849 | 5.0 | 10.5 |
| Ottomans FFr | | £30¼ | — | £33 | £27¼ | 151.2 | 4.6 | 7.3 |
| Ryl Bk Scotland | ♣N□ | 404 | +6 | 528 | 394 | 3,219 | 3.4 | 18.3 |
| Sakura Y | | 89⅞ | −⅛ | [illegible] | 89⅛ | 29,377 | 0.6 | 55.3 |
| [illegible] | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## BREWERIES

[illegible]

## BUILDING & CONSTRUCTION

[illegible]

## BUILDING MATS. & MERCHANTS

[illegible]

## CHEMICALS

[illegible]

## DISTRIBUTORS

[illegible]

## DIVERSIFIED INDUSTRIALS

[illegible]

## ELECTRICITY

[illegible]

## ELECTRONIC & ELECTRICAL EQPT

[illegible]

## ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING, VEHICLES

[illegible]

## ENGINEERING, VEHICLES - Cont.

[illegible]

## EXTRACTIVE INDUSTRIES

[illegible]

## FOOD MANUFACTURERS

[illegible]

## GAS DISTRIBUTION

[illegible]

## HEALTH CARE

[illegible]

## HEALTH CARE - Cont.

[illegible]

## HOUSEHOLD GOODS

[illegible]

## INSURANCE

[illegible]

## INVESTMENT TRUSTS

[illegible]

## INVESTMENT TRUSTS - Cont.

[illegible]

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# LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

[illegible]

## OTHER INVESTMENT TRUSTS

[illegible]

## INVESTMENT COMPANIES

[illegible]

## LEISURE & HOTELS

[illegible]

## LEISURE & HOTELS - Cont.

[illegible]

## LIFE ASSURANCE

[illegible]

## MEDIA

[illegible]

## MERCHANT BANKS

[illegible]

## OIL EXPLORATION & PRODUCTION

[illegible]

## OIL, INTEGRATED

[illegible]

## OTHER FINANCIAL

[illegible]

## OTHER SERVICES & BUSINESSES

[illegible]

## PHARMACEUTICALS

[illegible]

## PRINTING, PAPER & PACKAGING

[illegible]

## PROPERTY

[illegible]

## PROPERTY - Cont.

[illegible]

## RETAILERS, FOOD

[illegible]

## RETAILERS, GENERAL

[illegible]

## SPIRITS, WINES & CIDERS

[illegible]

## SUPPORT SERVICES

[illegible]

## TELECOMMUNICATIONS

[illegible]

## TEXTILES & APPAREL

[illegible]

## TOBACCO

[illegible]

## TRANSPORT

[illegible]

## TRANSPORT - Cont.

[illegible]

## WATER

[illegible]

## AMERICANS

[illegible]

## CANADIANS

[illegible]

| | Notes | Price | + or - | 1994 high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Toronto-Dom | | [illegible] | [illegible] | [illegible] | 10 | [illegible] | 3.9 | |
| Trans Can Pipe | ♥ | [illegible] | [illegible] | [illegible] | [illegible] | 1,598 | 4.8 | |

## SOUTH AFRICANS

| | Notes | Price | + or - | 1994 high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind | | £22¼ | — | £23½ | £13½ | 1,329 | 3.3 | 16.2 |
| Barlow | | £3[illegible] | +[illegible] | £4⅞ | £3[illegible] | 748.6 | 8.6 | 6.9 |
| Gold Flds Prop R | | 76 | — | 105 | 76 | 7.77 | 13.1 | 6.7 |
| MK Props | § | 90 | — | 95 | 88 | 3.62 | 9.9 | 37.0 |
| SASOL | ♥ | 288 | — | 391 | 280 | 1,886 | 5.5 | – |
| SA Brews | | £10[illegible] | +[illegible] | £15[illegible] | £10 | 5,852 | 2.6 | 17.3 |
| Tiger Oats | | 563 | — | 838 | 538 | 845.7 | 2.9 | 11.9 |
| Tongaat-Hulett | † | 589 | +17 | 589 | 434 | 381.8 | 2.9 | 14.2 |

## GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- \- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♠ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

## FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT9660. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availabilty.

## FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( +44 71 ) 873 4378 for more details.

## OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

[illegible]

Albany International Assurance Ltd

[illegible]

Allied Dunbar International Assurance Ltd (z)

[illegible]

Royal Skandia Life Assurance Ltd (z)

[illegible]

Scottish Provident Intl Life Ass Ltd

[illegible]

## MANAGEMENT SERVICES

[illegible]

## BERMUDA (SIB RECOGNISED)

[illegible]

## GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

[illegible]

Adams & Neville Fd Mangt (Guernsey) Ltd

[illegible]

## GUERNSEY (REGULATED)(**)

[illegible]

Kleinwort Benson Intl Fd Mngrs Ltd

[illegible]

Lazard Fund Managers (CI) Ltd

[illegible]

## IRELAND (SIB RECOGNISED)

[illegible]

## IRELAND (REGULATED)(**)

[illegible]

## ISLE OF MAN (SIB RECOGNISED)

[illegible]

## ISLE OF MAN (REGULATED)(**)

[illegible]

## JERSEY (SIB RECOGNISED)

[illegible]

## JERSEY (REGULATED)(**)

[illegible]

## LUXEMBOURG (SIB RECOGNISED)

[illegible]

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## OTHER UK UNIT TRUSTS

## INSURANCES

# FT MANAGED FUNDS SERVICE

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Save & Prosper Group - Contd.

Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

Standard Life Assurance Company

3 George St, Edinburgh EH2 2XZ 031-225 2552

Sun Alliance Group

St Mark's Court Horsham 0403 232323

## OFFSHORE INSURANCES

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

## GUERNSEY (SIB RECOGNISED)

## GUERNSEY (REGULATED)(**)

## IRELAND (SIB RECOGNISED)

## IRELAND (REGULATED)(**)

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

# FT MANAGED FUNDS SERVICE

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INVESCO International Limited

Disa Income Fund

Dolphin Intl Investments (x) SICAV

Dresdnerbank Asset Mngmt SA (u)

E.T. Investment Management Ltd

Eagle Star – Global Assets Fund (u)

Jupiter Tyndall (Jersey) Ltd

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

# CURRENCIES AND MONEY

MARKETS REPORT

## Fed raises rates again

The dollar finished higher on foreign exchanges yesterday after the US Federal Reserve surprised markets with a further tightening of monetary policy, *writes Philip Gawith.*

The extent of the move was not announced, but is assumed to involve the federal funds rate rising by 25 basis points to 3.75 per cent, the third such increase since early February when the Fed started tightening credit policy.

The Fed's announcement came against the background of very quiet trading as markets struggled to find direction. The dollar rose on the news by more than a pfennig to a high of DM1.7220, but closed lower in London at DM1.7202.

Elsewhere, markets in Europe were focusing on the outlook for the weekly German repo auction today to see by how far interest rates fall after last week's cut in official rates.

■ The Fed caught the market off-balance with most observers expecting the next policy move to come after the May 17 meeting of the policy-making Federal Open Market Committee (FOMC). The Fed last tightened on March 22.

Analysts said the change confirms that the Fed is acting pre-emptively to combat the risk of future inflation. The consumer price index rose by only 2.5 per cent in the year to March.

Mr Steve Hannah, head of research at IBJ International, said the timing confirmed, as did the March tightening, that the Fed was "not reacting to any particular figures." Industrial production and capacity utilisation figures released last week showed no urgent need for tighter credit.

The IBJ analyst said the Fed was in a process of normalising interest rates, "moving them to a level that is more appropriate for this advanced stage in the economic cycle." He believes the Fed tightening has "a lot further to go", with nominal short-term rates rising to 6-6.5 per cent from 3¾ per cent now. "We have only just started this process of normalisation," says Mr Hannah.

Mr Gerry Holtham, chief international economist at Lehman Brothers, said the market was anticipating short-term rates over 5 per cent by the end of the year. This level was "in the market" and hence the dollar was unlikely to rise on Fed moves unless they were so large, or early, as to "push up year end expectations."

Yesterday the futures market was discounting year-end rates of about 5.8 per cent. Mr Michael Burke, economist at Citibank, said this was "more than a little aggressive" about what the Fed was likely to do. He predicts a cautious approach.

But with the market anticipating US rates rising above German rates in the third quarter, Mr Burke added: "There must be a big suspicion that we're close to the top end of the dollar's range."

■ The results of today's weekly repo auction in Germany will be keenly watched for any indication that the pace of US tightening is slowing the rate at which German rates fall. Yesterday Mr Edgar Meistner, a Bundesbank board member, said in a speech that German rates would continue to fall.

The slow pace of Bundesbank easing has been cited by some observers as a reason for dollar weakness. Indeed, Lehman's Mr Holtham argues that the fate of the dollar lies more in the hands of the Bundesbank than the Fed.

Market forecasts range between a 3 basis point and a 15 basis point fall in the repo rate, from 5.7 per cent. Call money rates eased to 5.50/5.60 per cent from 5.55/5.65 per cent on Friday. Traders predicted that with ample liquidity in the system, banks might be prepared to risk lowering their bids.

In the futures market, the June euromark contract closed unchanged at 94.66 and the December contract was unchanged at 94.99.

The D-Mark had a mixed day in Europe. It was marginally stronger against the French franc, at FFr3.422 from FFr3.421. It was weaker against the Italian lira, which closed at L954.5 from L956. The Italian currency was bolstered by weekend political developments which favour the formation of a new government.

■ Sterling finished half a pfennig up against the D-Mark, closing at DM2.5285 from DM2.5233. The UK currency was helped by the stronger dollar. It closed slightly down against the US currency at $1.4701 from $1.4735.

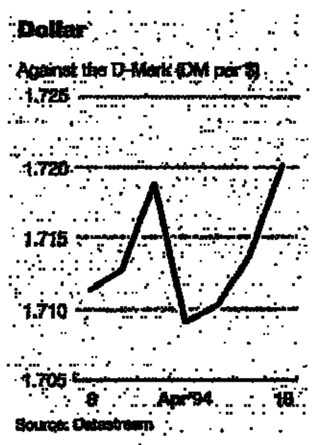
Sentiment about a rate cut - buoyed by good inflation data on Friday - soured after the Fed tightening. The June sterling future contract closed at 94.71, down from 94.73 on Friday and off a high for the day of 94.78.

IBJ's Mr Hannah said the US move complicated UK monetary policy. With the US having lifted rates, despite "excellent" inflation figures, it was clear that Friday's good retail inflation figure in the UK was "by no means a sufficient condition for cutting rates in the UK".

Mr Holtham said fears about the political consequences of having to raise interest rates might dampen any government enthusiasm for an early easing of policy. In the money markets the Bank of England provided £971m of assistance after forecasting a £950m shortage.

Dollar

Against the D-Mark (DM per $)



Source: Datastream

■ Pound in New York

| Apr 18 | — Latest — | — Prev. close — |
|---|---|---|
| £ spot | 1.4735 | 1.4720 |
| 1 mth | 1.4721 | 1.4704 |
| 3 mth | 1.4700 | 1.4681 |
| 1 yr | 1.4657 | 1.4647 |

■ OTHER CURRENCIES

| Apr 18 | £ | $ |
|---|---|---|
| Hungary | 152.183 - 152.382 | 103.540 - 103.640 |
| Iran | 2575.00 - 2581.00 | 1748.00 - 1750.00 |
| Kuwait | 0.4374 - 0.4387 | 0.2976 - 0.2984 |
| Poland | 32886.8 - 32956.8 | 22375.0 - 22415.00 |
| Russia | 2628.54 - 2635.89 | 1788.60 - 1793.00 |
| U.A.E. | 5.4022 - 5.4133 | 3.6715 - 3.6735 |

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

†SDR rate for Apr 15. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency.

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Apr 18 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 19.05 | 16.63 | 4.860 | 1.983 | 4639 | 5.452 | 21.06 | 494.8 | 396.6 | 22.39 | 4.122 | 1.922 | 3.920 | 2.825 | 292.7 | 2.512 |
| Denmark | (DKr) | 52.50 | 10 | 8.732 | 2.551 | 1.041 | 2435 | 2.862 | 11.06 | 259.8 | 208.2 | 11.75 | 2.164 | 1.009 | 2.058 | 1.483 | 153.7 | 1.319 |
| France | (FFr) | 60.13 | 11.45 | 10 | 2.922 | 1.192 | 2789 | 3.278 | 12.66 | 297.5 | 238.5 | 13.46 | 2.478 | 1.155 | 2.357 | 1.698 | 176.0 | 1.510 |
| Germany | (DM) | 20.58 | 3.919 | 3.422 | 1 | 0.408 | 954.5 | 1.122 | 4.334 | 101.8 | 81.61 | 4.607 | 0.848 | 0.395 | 0.807 | 0.581 | 60.22 | 0.517 |
| Ireland | (I£) | 50.43 | 9.605 | 8.387 | 2.451 | 1 | 2339 | 2.749 | 10.62 | 249.5 | 200.0 | 11.29 | 2.078 | 0.969 | 1.977 | 1.424 | 147.6 | 1.266 |
| Italy | (L) | 2.156 | 0.411 | 0.359 | 0.105 | 0.043 | 100. | 0.118 | 0.454 | 10.67 | 8.550 | 0.483 | 0.089 | 0.041 | 0.085 | 0.061 | 6.309 | 0.054 |
| Netherlands | (Fl) | 18.34 | 3.494 | 3.051 | 0.891 | 0.364 | 850.9 | 1 | 3.863 | 90.76 | 72.75 | 4.106 | 0.756 | 0.352 | 0.719 | 0.518 | 53.68 | 0.461 |
| Norway | (NKr) | 47.48 | 9.044 | 7.897 | 2.307 | 0.942 | 2203 | 2.589 | 10 | 234.9 | 188.3 | 10.63 | 1.957 | 0.912 | 1.861 | 1.341 | 139.0 | 1.193 |
| Portugal | (Es) | 20.21 | 3.849 | 3.361 | 0.982 | 0.401 | 937.5 | 1.102 | 4.256 | 100. | 80.16 | 4.524 | 0.833 | 0.388 | 0.792 | 0.571 | 59.15 | 0.508 |
| Spain | (Pta) | 25.21 | 4.802 | 4.193 | 1.225 | 0.500 | 1170 | 1.375 | 5.310 | 124.8 | 100. | 5.644 | 1.039 | 0.484 | 0.988 | 0.712 | 73.79 | 0.633 |
| Sweden | (SKr) | 44.67 | 8.508 | 7.429 | 2.171 | 0.886 | 2072 | 2.435 | 9.408 | 221.0 | 177.2 | 10 | 1.841 | 0.858 | 1.751 | 1.262 | 130.7 | 1.122 |
| Switzerland | (SFr) | 24.26 | 4.621 | 4.035 | 1.179 | 0.481 | 1125 | 1.323 | 5.110 | 120.0 | 96.22 | 5.431 | 1 | 0.466 | 0.951 | 0.685 | 71.00 | 0.609 |
| UK | (£) | 52.04 | 9.912 | 8.655 | 2.529 | 1.032 | 2414 | 2.837 | 10.96 | 257.5 | 206.4 | 11.65 | 2.146 | 1 | 2.040 | 1.470 | 152.3 | 1.307 |
| Canada | (C$) | 25.51 | 4.859 | 4.243 | 1.240 | 0.506 | 1183 | 1.391 | 5.373 | 126.2 | 101.2 | 5.711 | 1.051 | 0.490 | 1 | 0.721 | 74.66 | 0.641 |
| US | ($) | 35.40 | 6.743 | 5.888 | 1.720 | 0.702 | 1642 | 1.930 | 7.456 | 175.2 | 140.4 | 7.925 | 1.459 | 0.680 | 1.388 | 1 | 103.6 | 0.889 |
| Japan | (Y) | 341.7 | 65.08 | 56.83 | 16.61 | 6.776 | 15850 | 18.63 | 71.98 | 1691 | 1355 | 76.49 | 14.08 | 6.566 | 13.39 | 9.652 | 1000. | 8.582 |
| Ecu | | 39.82 | 7.584 | 6.622 | 1.935 | 0.790 | 1847 | 2.171 | 8.388 | 197.0 | 157.9 | 8.914 | 1.641 | 0.765 | 1.561 | 1.125 | 116.5 | 1 |

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open Int. |
|---|---|---|---|---|---|---|---|
| Jun | 0.5817 | 0.5832 | +0.0011 | 0.5833 | 0.5817 | 35,168 | 94,264 |
| Sep | - | 0.5817 | - | 0.5817 | - | 658 | 2,997 |
| Dec | - | - | - | - | - | - | - |

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open Int. |
|---|---|---|---|---|---|---|---|
| Jun | 0.9703 | 0.9691 | +0.0003 | 0.9716 | 0.9669 | 13,885 | 50,387 |
| Sep | - | 0.9746 | - | 0.9750 | - | 287 | 2,337 |
| Dec | 0.9803 | 0.9800 | -0.0004 | 0.9806 | 0.9800 | 4 | 622 |

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open Int. |
|---|---|---|---|---|---|---|---|
| Jun | 0.6875 | 0.6888 | +0.0014 | 0.6892 | 0.6872 | 26,655 | 38,718 |
| Sep | 0.6892 | 0.6898 | +0.0013 | 0.6905 | 0.6892 | 65 | 375 |
| Dec | 0.6926 | 0.6920 | +0.0017 | 0.6930 | 0.6920 | 1 | 44 |

■ STERLING FUTURES (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open Int. |
|---|---|---|---|---|---|---|---|
| Jun | 1.4680 | 1.4742 | +0.0058 | 1.4746 | 1.4672 | 6,442 | 48,006 |
| Sep | - | 1.4720 | - | 1.4720 | - | 40 | 969 |
| Dec | - | 1.4690 | - | 1.4690 | - | 2 | 622 |

EMS EUROPEAN CURRENCY UNIT RATES

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

## WORLD INTEREST RATES

### MONEY RATES

| April 18 | Over night | One month | Three mths | Six mths | One year | Lomb. Inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | - | 5⅝ | 5⅝ | 5⅝ | 5⅝ | 7.40 | 4.75 | - |
| week ago | - | 5⅝ | 6⅛ | 6⅛ | 6¼ | 7.40 | 5.00 | - |
| France | 6⅛ | 6⅛ | 6 | 5⅞ | 5¾ | 5.90 | - | 7.75 |
| week ago | 6⅛ | 6⅛ | 6⅛ | 6⅛ | 5⅝ | 5.90 | - | 7.75 |
| Germany | 5.55 | 5.65 | 5.60 | 5.45 | 5.30 | 6.50 | 5.00 | 5.70 |
| week ago | 5.78 | 5.65 | 5.60 | 5.50 | 5.38 | 6.75 | 5.25 | 5.73 |

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open Int. |
|---|---|---|---|---|---|---|---|
| Jun | 94.66 | 94.66 | - | 94.67 | 94.64 | 25499 | 220585 |
| Sep | 94.88 | 94.89 | +0.01 | 94.92 | 94.86 | 24302 | 168432 |
| Dec | 94.99 | 94.98 | -0.01 | 95.02 | 94.97 | 26518 | 169886 |
| Mar | 95.00 | 94.98 | -0.02 | 95.03 | 94.97 | 23149 | 176952 |

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

## UK INTEREST RATES

### LONDON MONEY RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

### EURO CURRENCY INTEREST RATES

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

■ THREE MONTH EUROMARK (LIFFE) $1m points of 100%

### BASE LENDING RATES

### LONDON TRADITIONAL OPTIONS, April 18

# MONEY MARKET FUNDS

## Money Market Trust Funds

## Money Market Bank Accounts



صكنا من الاهل

# WORLD STOCK MARKETS

## EUROPE

AUSTRIA (Apr 18 / Sch)

BELGIUM/LUXEMBOURG (Apr 18 / Frs.)

DENMARK (Apr 18 / Kr)

FINLAND (Apr 18 / Mks)

FRANCE (Apr 18 / Frs.)

GERMANY (Apr 18 / Dm.)

ITALY (Apr 18 / Lire)

NETHERLANDS (Apr 18 / Fls.)

NORWAY (Apr 18 / Kroner)

SPAIN (Apr 18 / Pts.)

SWEDEN (Apr 18 / Kronor)

SWITZERLAND (Apr 15 / Frs.)

## PACIFIC

JAPAN (Apr 18 / Yen)

AUSTRALIA (Apr 18 / Aust$)

HONG KONG (Apr 18 / H.K.$)

MALAYSIA (Apr 18 / MYR)

SINGAPORE (Apr 18 / S$)

## NORTH AMERICA

CANADA

TORONTO (Apr 18 / Can $)

4 pm close

MONTREAL (Apr 18 / Can $)

4 pm close

## AFRICA

SOUTH AFRICA (Apr 18 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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**■ TOKYO - MOST ACTIVE STOCKS: Monday, April 18, 1994**

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Kawasaki Steel | 12.6m | 385 | +10 | M'bishi Heavy | 4.7m | 691 | +11 |
| Nippon Steel | 10.5m | 360 | +10 | Sumitomo Metal Ind. | 4.1m | 293 | +6 |
| Hitachi | 7.0m | 986 | +8 | Sakai Ovex | 3.8m | 642 | +12 |
| NKK Corp | 6.0m | 261 | +5 | Toray Ind | 3.6m | 712 | +13 |
| Isuzu Motors | 5.3m | 498 | -4 | JAL | 3.6m | 701 | +17 |

## INDICES

| | Apr 18 | Apr 15 | Apr 14 | 1994 High | 1994 Low |
|---|---|---|---|---|---|
| **Argentina** | | | | | |
| General (29/12/77) | (u) | 18745.31 | 18798.14 | 25470.40 16/2 | 17832.92 4/4 |
| **Australia** | | | | | |
| All Ordinaries(1/1/80) | 2095.9 | 2080.6 | 2095.0 | 2340.60 3/2 | 2050.60 5/4 |
| All Mining(1/1/80) | 997.5 | 991.5 | 1001.1 | 1136.10 3/2 | 988.70 4/3 |
| **Austria** | | | | | |
| Credit Aktien(30/12/84) | 433.87 | 432.50 | 431.55 | 480.86 2/2 | 428.09 5/4 |
| Traded Index(2/1/91) | 1136.52 | 1133.08 | 1128.94 | 1222.25 1/2 | 1113.57 5/4 |
| **Belgium** | | | | | |
| BEL20 (1/1/91) | 1486.59 | 1485.20 | 1483.56 | 1642.85 9/2 | 1462.78 30/3 |
| **Brazil** | | | | | |
| Bovespa (29/12/83) | (u) | 14434.0 | 15062.0 | 18898.00 11/4 | 3800.90 3/1 |
| **Canada** | | | | | |
| Metals Minls♦(1975) | (u) | 3387.95 | 3470.02 | 3879.59 18/3 | 3387.95 15/4 |
| Composite♦ (1975) | (u) | 4240.0 | 4254.85 | 4808.86 23/3 | 4230.18 4/4 |
| Portfolio§§ (4/1/83) | (u) | 1988.50 | 1985.32 | 2182.89 1/2 | 1984.73 13/4 |
| **Chile** | | | | | |
| IPSA Gen (31/12/80) | (u) | 4108.1 | 4044.7 | 4867.80 4/2 | 3801.20 4/4 |
| **Denmark** | | | | | |
| CopenhagenSE(3/1/83) | 378.12 | 375.90 | 378.09 | 416.79 2/2 | 370.24 3/1 |
| **Finland** | | | | | |
| HEX General(28/12/90) | 1817.4 | 1835.4 | 1842.6 | 1972.00 4/2 | 1601.10 3/1 |
| **France** | | | | | |
| SBF 250 (31/12/90) | 1449.03 | 1450.29 | 1443.38 | 1585.20 2/2 | 1418.57 30/3 |
| CAC 40(31/12/87) | 2180.05 | 2159.58 | 2139.05 | 2355.93 2/2 | 2081.94 31/3 |
| **Germany** | | | | | |
| FAZ Aktien(31/12/58) | 846.66 | 837.14 | 837.17 | 865.87 4/1 | 778.33 2/3 |
| Commerzbank(1/12/53) | 2423.0 | 2393.2 | 2391.3 | 2459.80 4/1 | 2221.20 2/3 |
| DAX (30/12/87)‡ | 2228.78 | 2200.42 | 2198.71 | 2267.98 3/1 | 2020.33 2/3 |
| **Greece** | | | | | |
| Athens SE(31/12/80) | 992.42 | 974.18 | 980.46 | 1194.58 18/1 | 954.39 12/4 |
| **Hong Kong** | | | | | |
| Hang Seng(31/7/64) | 9506.84 | 9535.08 | 9800.63 | 12201.09 4/1 | 8887.83 21/3 |
| **India** | | | | | |
| BSE Sens.(1979) | 3866.9 | 3895.1 | (c) | 4287.86 28/2 | 3454.00 5/1 |
| **Indonesia** | | | | | |
| Jakarta Comp.(10/8/82) | 475.77 | 472.86 | 467.28 | 612.28 5/1 | 458.91 11/4 |
| **Ireland** | | | | | |
| ISEQ Overall(4/1/88) | 1880.47 | 1852.04 | 1848.48 | 2082.16 20/1 | 1801.05 5/4 |
| **Italy** | | | | | |
| Banca Comm Ital (1972) | 781.80 | 787.12 | 788.76 | 809.50 12/4 | 598.85 10/1 |
| MIB General (4/1/94) | 1281.0 | 1291.0 | 1296.0 | 1291.90 12/4 | 944.00 10/1 |
| **Japan** | | | | | |
| Nikkei 225 (16/5/49) | 20277.38 | 20164.63 | 19987.20 | 20677.77 16/3 | 17369.74 4/1 |
| Nikkei 300 (1/10/82) | 300.91 | 298.43 | 297.38 | 304.25 1/3 | 268.22 4/1 |
| Topix (4/1/68) | 1643.24 | 1635.12 | 1623.48 | 1653.27 16/3 | 1445.97 4/1 |
| 2nd Section (4/1/68) | 2274.10 | 2270.64 | 2251.58 | 2274.10 18/4 | 1873.33 4/1 |
| **Malaysia** | | | | | |
| KLSE Comp.(4/4/86) | 1050.26 | 1033.66 | 1021.30 | 1314.46 5/1 | 938.33 4/4 |
| **Mexico** | | | | | |
| IPC (Nov 1978) | (u) | 2198.84 | 2208.91 | 2881.17 8/2 | 2198.84 18/4 |
| **Netherland** | | | | | |
| CBS TtlRtnGen(End 83) | 440.7 | 442.6 | 439.0 | 454.90 31/1 | 417.40 5/4 |
| CBS All Shr (End 83) | 285.4 | 286.6 | 284.3 | 294.80 31/1 | 268.09 31/3 |
| **New Zealand** | | | | | |
| Cap. 40 (1/7/86) | 2142.11 | 2125.14 | 2123.55 | 2438.84 3/2 | 2040.17 5/4 |
| **Norway** | | | | | |
| Oslo SE(Ind)(2/1/83) | 1133.35 | 1133.16 | 1136.28 | 1211.30 28/2 | 1072.67 3/1 |
| **Philippines** | | | | | |
| Manila Comp (2/1/85) | 2819.01 | 2789.42 | 2759.50 | 3368.37 4/1 | 2507.33 9/3 |
| **Portugal** | | | | | |
| BTA (1977) | 3129.2 | 3118.5 | 3111.3 | 3228.80 18/2 | 2619.90 3/1 |
| **Singapore** | | | | | |
| SES All-S'pore(2/4/75) | 563.25 | 559.92 | 560.04 | 641.61 4/1 | 523.29 4/4 |
| **South Africa** | | | | | |
| JSE Gold (28/9/78) | 1945.0♥ | 1941.0 | 1954.0 | 2391.80 4/1 | 1749.09 14/2 |
| JSE Indl. (28/9/78) | 5758.0♥ | 5731.0 | 5708.0 | 6149.00 18/3 | 5446.00 19/1 |
| **South Korea** | | | | | |
| KoreaCmpEx(4/1/80)‴ | 882.15 | 889.48 | 883.52 | 974.28 2/2 | 855.37 2/4 |
| **Spain** | | | | | |
| Madrid SE (30/12/85) | 310.80 | 313.86 | 321.84 | 368.31 31/1 | 310.18 4/4 |
| **Sweden** | | | | | |
| AffarsvaldsGen (1/2/37) | 1466.7 | 1484.8 | 1472.7 | 1608.30 31/1 | 1403.69 31/3 |
| **Switzerland** | | | | | |
| Swiss Bk Ind (31/12/58) | 1350.46 | 1352.85 | 1343.10 | 1423.34 31/1 | 1280.84 2/3 |
| SBC General (1/4/87) | 1003.44 | 1004.12 | 998.07 | 1083.29 31/1 | 973.35 2/3 |
| **Taiwan** | | | | | |
| WeightedPr.(30/6/66)‴ | 5690.13 | 5592.90 | 5461.99 | 6454.52 6/1 | 5194.63 18/3 |
| **Thailand** | | | | | |
| Bangkok SET (30/4/75) | 1312.33 | 1282.16 | (c) | 1753.73 4/1 | 1198.59 4/4 |
| **Turkey** | | | | | |
| Istanbul Cmp.(Jan 1986) | 21472.1 | 22591.0 | 22104.3 | 28883.80 13/1 | 12980.70 24/3 |
| **WORLD** | | | | | |
| MS Capital Int (1/1/70)$ | 611.1* | 610.4 | 608.2 | 641.08 1/2 | 581.80 4/4 |
| **CROSS-BORDER** | | | | | |
| Eurotrack 100(26/10/90) | 1470.58 | 1471.48 | 1467.07 | 1540.19 31/1 | 1389.60 2/3 |
| Euro Top-100 (26/6/90) | 1261.58 | 1265.36 | 1259.38 | 1311.01 2/2 | 1202.49 2/3 |
| JCapelDrgns (31/12/88) | (u) | 316.86 | 317.39 | 395.19 5/1 | 299.28 21/3 |
| Barings Emerg.(7/1/92) | 150.49 | 150.90 | 151.23 | 182.72 14/2 | 147.36 5/4 |

‴ Sat Apr 16: Taiwan Weighted Price 5585.81; Korea Comp Ex 883.76. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Apr 15 - 2218.37 +8.45

## US INDICES

| Dow Jones | Apr 15 | Apr 14 | Apr 13 | 1994 High | 1994 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 3661.47 | 3663.25 | 3661.47 | 3978.36 (31/1) | 3593.35 (4/4) | 3978.36 (31/1/94) | 41.22 (2/7/32) |
| Home Bonds | 99.28 | 99.27 | 99.37 | 105.81 (21/1) | 99.27 (14/4) | 109.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 1610.25 | 1608.70 | 1618.41 | 1862.29 (2/2) | 1606.94 (4/4) | 1862.29 (2/2/94) | 12.32 (8/7/32) |
| Utilities | 194.24 | 194.84 | 193.78 | 227.06 (3/1) | 192.99 (4/4) | 256.46 (31/8/93) | 10.50 (8/4/32) |

DJ Ind. Day's high 3699.24 (3693.59) Low 3631.13 (3625.77) (Theoretical♦)
Day's high 3679.31 (3674.56) Low 3656.41 (3641.24) (Actual♦)

| Standard and Poors | Apr 15 | Apr 14 | Apr 13 | 1994 High | 1994 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite ‡ | 446.18 | 448.88† | 446.26 | 482.00 (2/2) | 438.92 (4/4) | 482.00 (2/2/94) | 4.40 (1/6/32) |
| Industrials♥ | 518.01 | 518.95 | 519.51 | 580.59 (2/2) | 513.34 (4/4) | 580.59 (2/2/94) | 3.62 (21/6/32) |
| Financial | 44.12 | 43.98 | 43.71 | 46.06 (31/1) | 41.39 (4/4) | 48.40 (28/8/93) | 8.64 (1/10/74) |
| NYSE Comp. | 247.66 | 247.58 | 247.46 | 267.71 (2/2) | 243.14 (4/4) | 267.71 (2/2/94) | 4.46 (25/4/42) |
| Amex Mkt Val | 438.29 | 437.32 | 437.95 | 487.89 (2/2) | 434.13 (4/4) | 487.89 (2/2/94) | 29.31 (9/12/72) |
| NASDAQ Cmp | 727.97 | 727.31 | 727.28 | 803.93 (18/3) | 727.31 (14/4) | 803.93 (18/3/94) | 54.87 (31/10/72) |

**■ RATIOS**

| | Apr 15 | Apr 8 | Mar 31 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.77 | 2.78 | 2.81 | 2.85 |
| | Apr 13 | Apr 6 | Mar 30 | Year ago |
| S & P Ind. Div. yield | 2.51 | 2.48 | 2.51 | 2.49 |
| S & P Ind. P/E ratio | 23.67 | 23.87 | 23.55 | 26.13 |

**■ STANDARD AND POORS 500 INDEX FUTURES** $500 times index

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 446.05 | 445.80 | -0.15 | 446.55 | 445.55 | 58,348 | 190,273 |
| Sep | - | - | - | - | - | - | - |
| Dec | - | - | - | - | - | - | - |

Open interest figures are for previous day.

**■ CAC-40 STOCK INDEX FUTURES (MATIF)**

| | Open | Sett.Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Apr | 2170.0 | 2180.0 | -6.0 | 2198.0 | 2160.0 | 28,798 | 24,709 |
| May | 2169.5 | 2159.5 | -8.0 | 2195.0 | 2162.5 | 788 | 8,407 |
| Jun | 2152.5 | 2142.0 | -8.5 | 2180.5 | 2144.0 | 793 | 24,804 |

Open interest figures for previous day.

**■ NEW YORK ACTIVE STOCKS**

| Friday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Digital Eq | 5,572,400 | 22⅞ | -⅝ |
| Merck | 4,598,500 | 28¼ | -¾ |
| DeBartolo | 4,531,600 | 14¼ | - |
| Motorola | 3,969,300 | 89⅝ | -2 |
| The Mills | 3,884,700 | 23½ | - |
| Wal-Mart | 3,681,500 | 24⅝ | -⅛ |
| Philip Morris | 3,355,800 | 50 | +¾ |
| Telefonos | 3,351,000 | 56⅝ | -1⅛ |
| IBM | 2,632,300 | 53 | -⅜ |
| Ford Motor | 2,513,600 | 58⅛ | -¼ |

**■ TRADING ACTIVITY**

| ● Volume (million) | Apr 15 | Apr 14 | Apr 13 |
|---|---|---|---|
| New York SE | 308.126 | 272.172 | 278.033 |
| Amex | 14.086 | 14.665 | 14.818 |
| NASDAQ | 278.915 | 313.095 | 343.358 |
| **NYSE** | | | |
| Issues Traded | 2,755 | 2,786 | 2,792 |
| Rises | 1,020 | 926 | 681 |
| Falls | 1,101 | 1,217 | 1,513 |
| Unchanged | 634 | 643 | 598 |
| New Highs | 27 | 13 | 13 |
| New Lows | 219 | 134 | 122 |

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

*4 pm close April 18*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1994 High | 1994 Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 17⅜ | 14⅛ | AAR | 0.48 | 3.0 | 528 | 48 | 15⅞ | 15¾ | 15⅞ | |
| 16⅞ | 14 | A L Labs A | 0.18 | 1.3 | 32 | 232 | 14⅛ | d14 | 14 | -⅛ |
| 65½ | 58¼ | AMP | 1.68 | 2.9 | 20 | 2839 | 59½ | 58⅝ | 58¾ | -½ |
| 72¾ | 55¼ | AMR | | | 28 | 7158 | 55⅝ | d53¼ | 53¾ | -2 |
| 5 | 3⅝ | ARX | | | 14 | 227 | 4⅛ | 4 | 4⅛ | +⅛ |
| 58⅛ | 38 | ASA | 2.00 | 5.1 | 26 | 870 | 39⅝ | d38⅞ | 39½ | +½ |
| 30⅝ | 25⅜ | AbbtL x | 0.76 | 2.8 | 16 | 10833 | 27½ | 27 | 27⅜ | +⅛ |
| 13⅝ | 11⅜ | AbitibiPr | 0.50 | 4.1 | 7 | 116 | 12½ | 12⅛ | 12⅛ | -⅛ |
| 13¾ | 11⅛ | Acptncein | | | 22 | 69 | 12¼ | 12 | 12⅛ | +¼ |
| 31 | 24½ | ACE Ltd | 0.40 | 1.4 | 4 | 796 | 28⅛ | 27¾ | 28⅛ | +⅝ |
| 12½ | 10⅛ | ACM Gvt In | 1.08 | 10.1 | | 238 | 11 | 10¾ | 10⅞ | |
| 10⅛ | 7⅞ | ACM GvOpp | 0.80 | 9.5 | | 99 | 8⅞ | 8¼ | 8⅝ | +⅛ |
| 10⅝ | 8⅝ | ACM Gvt Sp | 0.96 | 11.1 | | 450 | 8⅞ | 8½ | 8⅝ | -¼ |
| 12 | 9¼ | ACM Gvt Se | 1.09 | 11.1 | | 515 | 10⅛ | 9⅞ | 9⅞ | -¼ |
| 11¾ | 8¾ | ACM Man | 1.08 | 10.8 | | 106 | 10 | 9⅞ | 10 | +⅛ |
| 9¼ | 8 | ACM Managd | 0.72 | 8.8 | | 35 | 8⅛ | 8¼ | 8⅛ | +⅛ |
| 12 | 8¼ | AcmeClv | 0.44 | 4.1 | 13 | 450 | 10¾ | 10 | 10¾ | -¼ |
| 8½ | 7⅛ | Acme Elect | | | 35 | 93 | 8⅛ | 7⅞ | 8⅛ | +¼ |
| 28¼ | 23 | Acordia | 0.60 | 2.2 | 13 | 98 | 27⅝ | 27¼ | 27¼ | |
| 9¼ | 5¾ | Actava | 0.36 | 4.0 | 3 | 1580 | 9 | 8⅝ | 9 | +⅛ |
| 13⅞ | 11¼ | Acuson | | | 85 | 157 | 12½ | 12⅜ | 12⅜ | -⅛ |
| 18⅞ | 16½ | Adams Expr | 0.48 | 2.8 | 0 | 90 | 17 | 16⅞ | 17 | |
| 64 | 46½ | Ad Micro | 3.00 | 5.8 | | 100 | 51¾ | 51¼ | 51⅝ | -⅞ |
| 31¾ | 16¾ | AdvMic | 3.00 | 12.8 | 10 | 7690 | 24⅝ | 23⅝ | 23⅞ | -⅞ |
| 6⅞ | 5⅝ | Advest Grp | 0.16 | 2.8 | 9 | 102 | 5⅞ | 5¾ | 5¾ | -⅛ |
| 20 | 16¾ | Advo Inc | 0.10 | 0.6 | 119 | 129 | 18 | 17⅞ | 17⅞ | |
| 57¼ | 49⅜ | Aegon ADR | 1.23 | 2.4 | 11 | 30 | 51⅞ | 51¼ | 51¼ | -1 |
| [illegible] | | | | | | | | | | |

Section headings visible in the table: - A -, - B -, - C -, - D -, - E -, - F -, - G -, - H -, - I -, - J -, - K -, - L -, - M -, - N -, - O -, - P - Q -, - R -, - S -



Continued on next page

صكذا من الاصل

*4 pm close April 18*

# NYSE COMPOSITE PRICES

| 1994 High | Low | Stock | Div | Yld % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| **Continued from previous page** | | | | | | | | | | |
| 18½ | 13⅞ | SbyNJ | 0.36 | 2.5 | 8 | 6564 | 15⅞ | 14½ | 14⅝ | +⅞ |
| 37 | 19¾ | Safeway | | | 35 | 1875 | 25⅞ | 25⅛ | 25⅛ | -⅛ |
| 8⅞ | 4⅞ | SafewayW98 | | | | 150 | 6¼ | 6 | 6 | |
| 57⅞ | 50¼ | StJoePaper | 0.20 | 0.42 | 34 | 73 | 56¾ | 55¾ | 55⅞ | -⅛ |
| 30¼ | 28 | StJoeLP | 1.80 | 6.2 | 14 | 7 | 29¼ | 29¼ | 29¼ | |
| 90 | 76⅞ | StPaul | 3.00 | 3.7 | 8 | 588 | 82 | 81½ | 81⅝ | -⅛ |
| 9⅝ | 6⅞ | Salant Crp | | | 10 | 71 | 8 | 8 | 8 | -⅛ |
| 49⅞ | 39⅞ | SallieMae | 1.40 | 3.5 | 8 | 3745 | 40⅛ | d39⅞ | 39⅝ | -⅛ |
| 13⅞ | 11⅞ | Salomon Br | 0.34 | 2.8 | | 583 | 12⅛ | 12⅛ | 12⅛ | -⅛ |
| 57¾ | 44¼ | Salomon | 0.64 | 1.3 | 6 | 3142 | 50⅛ | 49½ | 49⅞ | +⅛ |
| 25 | 21½ | SnDgGE | 1.52 | 6.8 | 12 | 1847 | 22⅝ | 22 | 22¼ | +⅛ |
| 10 | 7½ | SantaFeERs | 0.16 | 1.9 | 8 | 810 | 8⅞ | 8¼ | 8¼ | -⅛ |
| 40 | 34⅝ | SantaFePac | 2.80 | 7.5 | 17 | 84 | 37⅝ | 37 | 37½ | +¾ |
| 26¼ | 21¾ | SanFeP | 0.10 | 0.4 | 12 | 7589 | 23⅞ | 23 | 23 | -1 |
| 28 | 20⅞ | SaraLee | 0.64 | 3.1 | 14 | 6438 | 21 | d20⅝ | 20⅝ | -⅛ |
| 50⅛ | 44½ | Scana Corp | 2.62 | 6.3 | 12 | 173 | 44⅞ | 44⅝ | 44⅞ | +⅛ |
| 20½ | 16 | Scecrp | 1.42 | 8.7 | 11 | 3396 | 16½ | 16⅛ | 16¼ | -⅛ |
| 40½ | 34¾ | SchererRP | | | 27 | 162 | 36⅛ | 35⅝ | 35⅝ | -⅛ |
| 69⅝ | 54½ | SchPl | 1.80 | 3.3 | 13 | 5309 | 55⅝ | 54⅞ | 55¼ | -⅛ |
| 61½ | 50¾ | Schlmb | 1.20 | 2.2 | 22 | 6026 | 54⅝ | 52⅞ | 54 | +½ |
| 33 | 25¼ | Schwab(C) | 0.28 | 1.0 | 12 | 1103 | 27½ | 26½ | 26⅞ | -¼ |
| 10¾ | 6⅞ | Schnitzer | | | 25 | 171 | 9¼ | 8⅝ | 8¾ | -⅝ |
| 36⅞ | 24⅞ | SciAtl | 0.12 | 0.5 | 51 | 1775 | 26⅛ | 25½ | 25¾ | -⅛ |
| [illegible] | | | | | | | | | | |

| 1994 High | Low | Stock | Div | Yld % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 18⅞ | 16⅛ | TNP Enterp | 1.63 | 10.2 | 15 | [illegible] | | | | |
| 77½ | 65¾ | TRW | 1.88 | 2.8 | 19 | [illegible] | | | | |
| 11¼ | 7⅛ | TZ Medel | 0.10 | 1.0 | 8 | [illegible] | | | | |
| 39⅞ | 22⅝ | Taiwan Fd | | | | [illegible] | | | | |
| 7⅞ | 5⅞ | Talleyind | 0.42 | 6.4 | 7 | [illegible] | | | | |
| 12¾ | 10 | Talley Pf | 1.00 | 8.7 | | | | | | |
| 44½ | 36 | Tamrds | 1.68 | 4.7 | 18 | [illegible] | | | | |
| 16⅞ | 10⅞ | Tandem | | | 2 | [illegible] | | | | |
| 49⅞ | 30⅞ | Tandy | 0.60 | 1.9 | 13 | [illegible] | | | | |
| 12¾ | 10⅞ | Taurus Mun | 0.72 | 6.8 | | [illegible] | | | | |
| 22⅞ | 18⅛ | Teco Energ | 0.96 | 4.9 | 15 | [illegible] | | | | |
| 32⅝ | 23⅝ | Tktrnx x | 0.60 | 1.8 | 21 | [illegible] | | | | |
| 3⅝ | 2⅜ | Telectn | | | 18 | [illegible] | | | | |
| 25⅞ | 15½ | Teldyn | 0.80 | 5.3 | 11 | [illegible] | | | | |
| 46⅛ | 34⅝ | TeleEspSA | 1.05 | 2.9 | 7 | [illegible] | | | | |
| 76 | 56½ | Telmex | 1.53 | 2.8 | 11 | [illegible] | | | | |
| 54¾ | 44½ | Tmplnl | 1.00 | 2.2 | 38 | [illegible] | | | | |
| 30⅝ | 19½ | TempEmkk | 0.17 | 0.7 | | [illegible] | | | | |
| 8⅞ | 7 | TempGlGos | 0.60 | 8.4 | | [illegible] | | | | |
| 8 | 6⅛ | TempGlbFd v | 0.60 | 8.6 | | [illegible] | | | | |
| 58¾ | 51⅛ | Tnneco | 1.60 | 3.0 | 20 | [illegible] | | | | |
| 30 | 25⅞ | Teppco Ps | 2.38 | 7.9 | 11 | [illegible] | | | | |
| 31½ | 21¾ | Teradyne | | | 22 | [illegible] | | | | |
| 9⅞ | 6⅛ | Terex | 0.06 | 0.9 | 1 | [illegible] | | | | |
| 8¾ | 6¼ | Terra Inds | 0.08 | 1.1 | 22 | [illegible] | | | | |
| [illegible] | | | | | | | | | | |

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

- T -

[illegible]

Price data supplied by Telekurs

[illegible]

# AMEX COMPOSITE PRICES

*4 pm close April 18*

| Stock | Div. | P/ E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |
| B&H Ocean | 0.55 | 0 | 37 | 3 | 3 | 3 | |
| BadgerMtr | 0.66 | 16 | 8 | 21 | 20⅞ | 20⅞ | -⅞ |
| BaldwinT A | 0.04 | 30 | 61 | 5⅜ | 5¼ | 5¼ | |
| Barry RG | | 18 | 40 | 17¼ | 17 | 17 | -¼ |
| BAT Ind | 0.29 | 12 | 314 | 7¼ | 7⅛ | 7⅛ | |
| Beard | | 6 | 3 | 1¾ | d1¾ | 1¾ | -⅛ |
| Binks Man | 0.40 | 153 | 8 | 21½ | d21½ | 21½ | -⅛ |
| Bio-Rad A | | 38 | 61 | 13⅝ | 13⅛ | 13⅝ | +⅜ |
| Blount A | 0.50 | 37 | 231 | 34⅛ | 33⅞ | 33⅞ | -⅝ |
| Bow Valley | | 325 | 2 | 9¾ | 9¾ | 9¾ | |
| Bowmar | | 28 | 146 | 3 | 2⅞ | 2⅞ | |
| Bowne | 0.30 | 10 | 83 | 22¼ | 21¾ | 22 | |
| Brascan A | 1.04 | 13 | 52 | 12⅝ | 12⅝ | 12⅝ | -⅛ |
| Calprop | | 1 | 2 | ⅞ | ⅞ | ⅞ | |
| Cambrex | 0.20 | 13 | 34 | 21⅞ | 21⅝ | 21⅝ | |
| Can Marc | 0.28 | 22 | 4 | 12⅛ | 12⅛ | 12⅛ | -⅛ |
| Chmbrs A | 0.01 | 7 | 661 | 3⅞ | 3⅝ | 3⅝ | -⅛ |
| Chambers | | 7 | 2 | 3¾ | 3¾ | 3¾ | -¼ |
| Champion | | 42 | 831 | u29⅛ | 28½ | 29 | +⅜ |
| Celles | | 237 | 279 | 4¾ | 4⅝ | 4¾ | |
| CircPh | 0.04 | 25 | 467 | 10¼ | 9½ | 9⅞ | -⅜ |
| Coinl FdA | 0.01 | | 607 | 5¼ | 5⅛ | 5¼ | |
| Cominco | 0.30 | 13 | 11 | 15 | 14¾ | 14¾ | -⅝ |

| Stock | Div. | P/ E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |
| Echo Bay | 0.07 | 345 | 7021 | 11½ | d10⅝ | 10⅝ | -⅝ |
| Ecol En A | 0.28 | 10 | 10 | 12¾ | 12¾ | 12¾ | +⅛ |
| Edisto Rs | | 6 | 661 | 8½ | 8¼ | 8½ | |
| Elan | | 13 | 1852 | 30¾ | d30⅛ | 30⅜ | +⅛ |
| Engy Serv | | 46 | 3585 | 3⅜ | 3⅛ | 3¼ | +⅛ |
| Epitope | | 8 | 226 | 15 | 14⅝ | 14½ | -½ |
| Fab Inds | 0.84 | 12 | z100 | 34⅞ | 34⅞ | 34⅞ | |
| Fina A | 3.20 | 15 | z100 | 69½ | 69½ | 69½ | |
| FstCtyBnc x | 0.20 | 13 | 2 | 11⅛ | 11⅛ | 11⅛ | |
| Fluke (J) | 0.52 | 70 | 33 | 28⅛ | 28 | 28⅛ | |
| Forest La | | 24 | 323 | 42 | d41⅛ | 41⅛ | -¾ |
| Frequency | | 2 | 4 | 3¾ | d3⅝ | 3¾ | |
| Garan | 0.80 | 8 | 28 | 27⅜ | d27¼ | 27¼ | -⅛ |
| Giant FdA | 0.70 | 14 | 681 | 22⅞ | 21⅞ | 22¼ | |
| Glatfltr x | 0.70 | 34 | 596 | 15⅞ | d15½ | 15⅞ | |
| Goldfield | | 4 | 198 | ⅞ | d½ | ⅞ | +⅛ |
| Greenman | | 32 | 53 | 6⅛ | 6 | 6⅛ | +⅛ |
| Gulf Cda | 0.34 | 10 | 195 | 3⅛ | 3 | 3⅛ | +⅛ |
| HanDir | | 36 | 677 | 8⅞ | 8⅛ | 8⅛ | -⅞ |
| Hasbro | 0.28 | 15 | 1145 | 34⅞ | 34⅞ | 34⅝ | -¼ |
| Health Ch | | 5 | 76 | 4 | 3⅞ | 3⅞ | |

| Stock | Div. | P/ E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |
| Laberge | | 11 | 27 | 1¾ | 1⅝ | 1⅞ | +⅛ |
| Laser Ind | | 18 | 41 | 7 | 6¾ | 7 | +¼ |
| Lee Pharm | | 9 | 25 | 1⅛ | 1⅛ | 1⅛ | +⅛ |
| Lumex Inc | | 11 | 315 | 10⅛ | d9¼ | 9¼ | -⅞ |
| Lynch Cp | | 6 | 10 | 23 | d22½ | 22½ | -⅝ |
| Moocam | | 2 | 106 | 36 | 36 | 36 | |
| Media A | 0.44 | 23 | 92 | 22⅞ | 22½ | 22⅝ | -⅜ |
| Mem Co | 0.20 | 4 | 4 | 4 | 4 | 4 | |
| Mtwd.d | | | 5 | 6⅝ | 6⅝ | 6⅝ | |
| Moog A | | 14 | 6 | 8⅝ | 8½ | 8½ | |
| MSR Expl | | 15 | 221 | ⅝ | ⅝ | ⅝ | +⅛ |
| Nat Ptnr | | 5 | 449 | 3 | d2¾ | 2¾ | -⅜ |
| NY TmA | 0.56 | 378 | 875 | 26⅜ | 26⅛ | 26½ | -⅛ |
| NthCanOil | 0.20 | 10 | 4 | 9¼ | 9¼ | 9¼ | +¼ |
| NumacE | | 117 | 5 | 5⅞ | 5⅞ | 5⅞ | -⅛ |
| NVR | | 12 | 10 | 8¾ | 8¾ | 8¾ | |
| Odetics A | | 34 | 135 | u9¾ | d9¼ | 9¼ | |
| Oneten | 0.24 | 108 | 423 | 32⅞ | 32½ | 32⅝ | |
| Pegasus G | 0.40 | 93 | 1996 | 17¼ | d16⅞ | 16⅞ | -¼ |
| Perini | 0.80 | 50 | 60 | 12¼ | 12 | 12 | -⅜ |

| Stock | Div. | P/ E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |
| Tab Prods | 0.20 | 58 | 8 | 10¼ | 10⅛ | 10¼ | |
| Tel&Data | 0.36 | 55 | 743 | 37½ | 36⅞ | 36⅞ | -⅞ |
| Thermedics | | 63 | 312 | 14 | 13¾ | 14 | +¼ |
| Thermotrex | | 29 | 113 | 27¾ | 27⅝ | 27⅝ | |
| TotPNA | 0.20 | 22 | 783 | 16 | 15¾ | 15⅞ | -⅛ |
| TownCntry | | 1 | 215 | 3⅛ | 3 | 3 | -⅛ |
| Triton | | 9 | 18 | 1⅞ | d1⅞ | 1⅞ | |
| Tubos Mex | | 17 | 488 | 4⅞ | 4⅛ | 4⅞ | |
| TurnrBcA | 0.07 | 71 | 81 | 19½ | d19¼ | 19⅜ | |
| TurnrBcB | 0.07 | 125 | 311 | 19½ | d19 | 19¼ | |
| UtdFoodsA | | 4 | 241 | 1⅞ | 1¾ | 1⅞ | +⅛ |
| UtdFoodsB | 0.20 | 87 | 215 | 1¾ | 1⅝ | 1¾ | +⅛ |
| UnivPats | | 17 | 37 | 6 | d5⅞ | 6 | -⅛ |
| US Cellul | | 57 | 116 | 26 | 25¼ | 25¼ | -¼ |
| ViacomA | | 20 | 82 | 27 | 26¼ | 26⅜ | -⅜ |
| ViacomB | | | 1911 | 23¼ | 23¼ | 23½ | |
| Weatherfd | | 23 | 2912 | 9¾ | 9¼ | 9⅝ | +½ |
| Westamer x | 0.80 | 24 | 105 | u29⅜ | 29 | 29 | +¼ |
| WRET | 1.12 | 17 | 284 | 13 | 12⅞ | 12⅞ | -⅝ |
| Worthen | 0.80 | 10 | 74 | 21⅞ | 21¾ | 21⅞ | +⅜ |
| Xytronix | | 4 | 132 | 4⅜ | 4¼ | 4¼ | -⅛ |

# NASDAQ NATIONAL MARKET

*4 pm close April 18*

[illegible]

AMERICA

# Dow in steep decline as Fed tightens

## Wall Street

US stocks followed the bond market in steep decline yesterday morning on the announcement of a further tightening of monetary policy, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 36.29 lower at 3,625.18, while the more broadly based Standard & Poor's 500 was down 3.47 at 443.71. Declining issues overwhelmed advances, 1,545 to 571 in brisk trading.

In the secondary markets, the American SE composite dropped 3.71 to 434.58, and the Nasdaq composite 6.06 to 721.91.

The market was jolted into life by the 10 am announcement by the Federal Reserve that it would "increase slightly" pressure on the banking system's reserve positions.

The action is expected to result in a small boost in the overnight inter-bank lending rate, the third increase since the Fed warned of a shift to more "neutral" credit conditions in early February. As in the past, the move triggered a sharp response in the US Treasury market, where the benchmark 30-year government bond led the yield curve in hasty retreat.

Blue chips immediately plunged 45 points on the news, with other market indices showing similar levels of decline. But as bonds began to firm near midday, share prices reversed course and began to recover some lost ground.

Cyclical stocks, which shot up in the weeks before the Fed's initial policy move, continued to suffer the most. Alcoa gave back $1 to $48, General Motors lost $1 to $57⅞ and Allied Signal dropped $1⅛ to $34⅞.

General Electric was marked down $1⅞ to $95⅞. The company announced at the weekend a $350m charge against first-quarter earnings after uncovering a fraudulent trading scheme at its Kidder Peabody brokerage subsidiary.

A decision by Banc One Columbus to raise its prime lending rate by 50 basis points to 6.75 per cent had little impact on the banking stocks. By early afternoon, it was uncertain if any of the country's biggest lenders would match the increase. Shares in the bank's parent, Banc One, slipped $⅝ to $34¼.

Digital Equipment, down $1¼ at $21⅞, continued to feel the impact of its disappointing first-quarter performance. It topped the NYSE's most active list after Smith Barney Shearson downgraded the stock.

## Canada

Toronto stocks continued to slide at midday as interest rate worries affected sentiment.

The TSE-300 composite index was down 39.4 at 4,200.6 in volume of 29.4m shares valued at C$303m. Declines led advances 398 to 193 with 269 issues unchanged.

All 14 sub-sectors posted losses at midday, led by precious metals which plunged 263.26 to 9,387.80.

## Brazil

São Paulo turned lower in midday trading after the announcement from the US Federal Reserve. The Bovespa index was off 320 at 14,114 by 1pm.

Midday volume was Cr$208.8bn ($727.1m).

## SOUTH AFRICA

Industrials edged higher as trilateral talks took place between the government, the ANC and the Inkatha Freedom party.

The overall index lost 7 to 4,961, industrials shed 25 to 5,756 and the gold index added 4 to 1,945. Lonrho improved 25 cents to R12, Anglos slipped R2.50 to R208.50 and SAB put on R1 to R83.50.

EUROPE

# Fed blunts enthusiasm in Frankfurt and Paris

Early in the day, Frankfurt and Paris were climbing on the rise of the cyclicals, and interest rate hopes respectively.

However, their enthusiasm weakened after the US Federal Reserve indicated another rise in short term interest rates, *writes Our Markets Staff.*

FRANKFURT was having a good day before the Fed interfered. The Dax index rose 28.36 to 2,228.78 with cyclicals driving the market higher in spite of a mixed performance in banks. It peaked at 2,234.20 in the post bourse before the US rate increase brought it back to end the afternoon at an Ibis-indicated 2,218.37.

This compared with an all-time Dax high of 2,284.18 last year. Mr Edgar Benischeck, head of trading at Bank Julius Bär in Frankfurt, noted that the climb in cyclicals – carmakers, chemicals, engineering and steels – had brought the broad market even closer to its highs.

Turnover had risen from DM10.5bn to DM11.9bn. The FAZ index, up 9.74 at 846.88 by midsession, was just 8.79 short of the life high it touched earlier this year. "We only needed one more friendly day," said Mr Benischeck, ruefully.

As it was, interest-rate sensitive and volatile stocks were marked down in the afternoon: Deutsche Bank lost DM4 from a close of DM778.50, already down DM1 on a day still overshadowed by the Jürgen Schneider affair and Volkswagen ended at DM538 after DM545 in the afternoon and a session rise of DM20 to DM539.50.

With Daimler, the general problem was compounded by an S & P debt rating downgrade which left the shares at DM879, up just DM4.50, after a high of DM895.

PARIS moved sharply from a high of 2,188 during early trading as hopes remained that the Bank of France might cut domestic rates following the Bundesbank easing last week.

The market was dragged down the Fed's interest rate signal, hitting a session low of 2,155.58 before reaching positive territory again just prior to the close. The CAC-40 index finally closed 0.47 ahead at 2,160.60.

**FT-SE Actuaries Share Indices**

| Apr 18 | | | | | | | THE EUROPEAN SERIES | |
|---|---|---|---|---|---|---|---|---|
| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
| FT-SE Eurotrack 100 | 1482.82 | 1493.57 | 1480.58 | 1478.17 | 1478.23 | 1473.08 | 1472.60 | 1470.58 |
| FT-SE Eurotrack 200 | 1500.60 | 1497.90 | 1497.99 | 1497.47 | 1497.02 | 1494.34 | 1495.21 | 1492.35 |
| | Apr 15 | Apr 14 | Apr 13 | Apr 12 | Apr 11 | | | |
| FT-SE Eurotrack 100 | 1471.48 | 1487.97 | 1476.04 | 1495.27 | 1479.57 | | | |
| FT-SE Eurotrack 200 | 1489.43 | 1482.81 | 1452.85 | 1500.59 | 1489.72 | | | |

Base 1000 (26/10/90). Highday: 100 - 1482.84; 200 - 1508.80 Low/day: 100 - 1467.71 200 - 1490.57

James Capel, in contrast to some other brokers, issued an overweight recommendation on France, arguing that investors will move from the interest rate story to focus on corporate earnings growth: "While we consider that cash calls will continue to weigh on the market over the next quarter, and in the short-term, potentially push it lower than current levels, we expect the outlook on the earnings front to continue improving," it said.

Given that many French companies are already well on the way to completing their restructuring programmes, the broker added, there are good expectations for growth this year. "Already in the first quarter there has been a marked slowdown in the underperformance of France relative to Europe, an indication perhaps that investor sentiment is already turning".

AMSTERDAM fell back sharply following the news from the US. The AEX index, which had earlier seen a session high of 428.43, finished the day off 3.69 at 421.43.

The financial sector took the brunt of the losses, with ING shedding Fl 3.00 to Fl 81.50 and ABN-Amro losing Fl 2.00 to Fl 63.60.

However, there were some positive moves during the session, with Nedlloyd, in particular finding favour ahead of 1993 results expected on Thursday. The shipping group's shares rose Fl 1.30 to Fl 76.20, making a rise on the week of 5.25 per cent. Analysts are forecasting that the group will show a return to profit, and expect earnings growth over the next few years.

MADRID needed no transatlantic encouragement to subside on the day. The general index dropped 8.06, or 2.5 per cent to 310.80, but Mr Stephen Hughes at Kleinwort Benson discounted any Fed effect, saying that the market was quite depressed enough by domestic concerns.

The scandal surrounding the financial dealings of Mr Mariano Rubio, former governor of the Bank of Spain, meant that the Spanish prime minister, Mr Felipe Gonzalez, can be expected to face trenchant criticism today when he delivers his annual State of the Nation speech in parliament. Mr Gonzalez has denied he has any intentions of ending his 11-year stint in power.

MILAN stumbled 2.3 per cent lower on profit-taking after the 15.4 per cent advance which followed the general election three weeks ago. The Comit index fell 18.72 to 781.60.

Turnover dipped after the records set last week as domestic funds, awaiting lower prices, held back from trading.

Industrials, which have powered the market higher, were among the hardest hit. Pirelli fell L131 or 4.2 per cent to L2,956, Montedison lost L60 or 4 per cent to L1,447 and Fiat was L233 or 3.6 per cent lower at L6,336.

The same pattern was seen among the telecommunications stocks. Sip fell L110 or 2.2 per cent to L4,851 and Stet L224 or 3.8 per cent to L5,852.

ZURICH was closed but the SMI index fell 3.8 to 2,869.1, reflecting trading in Basle and Geneva. Sandoz registered fell SFr5 to SFr3,870 and Ciba-Geigy lost SFr11 to SFr938 in response to first quarter sales figures announced earlier in the day.

HELSINKI was lower in response to higher bond yields and weighed down, in addition, by the number of new issues announced recently. The Hex index fell 18.0 to 1,817.4.

**Written and edited by William Cochrane, John Pitt and Michael Morgan**

ASIA PACIFIC

# Nikkei 225 builds on gains in a strong Pacific Basin

## Tokyo

Active buying of large capital stocks by foreign investors yesterday outweighed small lot selling by domestic institutions and companies, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index rose 112.73 to 20,277.36 after a low of 20,222.44 and a high of 20,494.60. It rose in the morning on index linked buying by arbitrageurs and purchases by foreign investors, but afternoon profit-taking eroded some of the gains.

Traders said that investors were turning their attention away from the political situation, as it seemed likely that Mr Tsutomu Hata, the foreign minister, would be named prime minister.

Mr Yasuo Ueki at Nikko Securities said that the Nikkei would move between 20,000 and 21,000. Although the downside was limited, he said, due to buying by foreign and some domestic institutional investors, companies facing a high yen would continue to sell into strength.

Volume was 388m shares against 423m. The Topix index of all first section stocks rose 8.12 to 1,643.24 and the Nikkei 300 gained 1.48 to 300.91. Advances led declines by 626 to 374 with 174 unchanged and, in London, the ISE/Nikkei 50 index rose 2.12 to 1,344.17.

Large capital steels were traded actively. Kawasaki Steel, the most active issue of the day, rose Y10 to Y395 and Nippon Steel gained Y10 to Y360. Shipbuilders were also higher, with Mitsubishi Heavy Industries up Y11 to Y691.

In spite of the rise in the yen against the dollar, blue chip high-technology stocks were also bought, with Hitachi up Y8 to Y986 and Toshiba gaining Y10 to Y790.

Construction stocks and non-life insurance companies, regarded as laggards, attracted foreign buyers. Obayashi added Y15 to Y697, Kumagai Gumi Y10 to Y499 and Mitsui Marine and Fire Y18 to Y859.

Oil stocks, firm previously on hopes of a rise in demand due to an economic rebound, retreated. Teikoku Oil declined Y19 to Y730 and Showa Shell Sekiyu by Y20 to Y1,410.

In Osaka, the OSE average rose 124.76 to 22,599.96 in volume of 24.5m shares. The index rose for the fourth consecutive day on small lot buying.

## Roundup

The region's markets saw some big gains continuing, although turnover was generally moderate.

BANGKOK continued its strong advance adding a further 2.4 per cent as foreign investors returned to the market. The SET index added 30.17 to 1,312.53 as turnover rose to Bt9.3bn from Friday's Bt6.3bn.

SINGAPORE gained more than 1 per cent in low volume on interest in blue chip stocks. The Straits Times Industrial index gained 26.69 to 2,239.07 with 198m shares traded. Fraser & Neave up 70 cents to S$18.80 and Keppel, up 40 cents to S$10.80 accounted for most of the day's volume.

MANILA saw its fourth successive rise following PLDT's $3 gain in New York on Friday. The composite index added 49.59 to 2,819.01.

PLDT advanced nearly 3 per cent to 1,790 pesos.

Turnover fell to 966.5m pesos from Friday's 1.14bn pesos.

HONG KONG was active in HSBC following newspaper articles over the weekend alleging that the treasury division of its UK subsidiary, Midland Bank, had lost substantial amounts of money in the bond markets this year. Midland has denied the claims.

The Hang Seng index eased 29.22 to 9,506.84, but off the day's low of 9,415.53. Turnover shrank to HK$2.65bn from Friday's HK$3.55bn.

HSBC lost HK$1.50 to HK$90.50, and in London trading fell 1.8 per cent.

TAIWAN was helped higher by financial stocks which pushed the weighted index up 104.32 or 1.8 per cent to 5,690.13. Turnover was T$51.1bn against Saturday's T$56.8bn.

The major banks, which went ex-rights on Saturday, ended moderately higher: Chang Hwa rose T$4 to T$151, and First Commercial and Hua Nan both rose T$3 to T$162 and T$168 respectively.

KUALA LUMPUR rose in light trading on expectations of an early general election. The composite index climbed 16.60 or 1.6 per cent to 1,050.26.

SEOUL failed to maintain early strength on profit taking after four days of gains and the composite stock index shed 1.61 to 892.15. Volume was thin 25.3m shares.

AUSTRALIA was driven higher by a futures-driven rally and the All Ordinaries index added 15.3 to 2,095.9, but off a session high of 2,102.6. Turnover was modest at A$317m.

BOMBAY fell back with many investors awaiting today's results from Reliance Industries, the country's biggest private company. Analysts expected it to show a 55 per cent rise in net profit. The BSE index lost 34.26 to 3,860.92.

CHINA opened the week slowly following a rally of nearly 5 per cent during the previous two sessions. The Standard Chartered Shanghai B index rose 0.39 to 53.37, while the Shenzhen B index added 0.21 to 65.06.

# Tokyo funds give boost to region

**By Michael Morgan**

Asian markets, largely neglected after the surge to their January peaks, returned to focus last week *with sharp rises* recorded in Kuala Lumpur and Singapore.

The advance resulted from renewed demand from Japanese funds for some of the regional markets. Tokyo, itself, displayed some nerves at the start of last week following the resignation of Mr Morihiro Hosokawa as prime minister, although the outward looking strategy adopted by investors had more to do with the launch of fresh investment initiatives at the start of a new financial year.

Tokyo has risen by almost 20 per cent this year while other regional markets, which have begun to look attractive once again, have fallen by around the same amount.

Malaysia was the week's biggest winner although the advance did not quite make up for declines seen in the previous four weeks. It is also still 21 per cent short of its high for the year seen on January 4.

In its weekly review, Foreign & Colonial notes that Kuala Lumpur moved up strongly at the beginning of the week as a result of increased foreign participation. F & C adds that Japanese investment in Malaysia *slumped by 73 per cent over* the last three years, although Tokyo remains the market's biggest investor, with part of the reason for the decline being the shift of funds towards China and Indochina.

Singapore, which registered an 18 per cent decline from its peak early in January to its low point on April, 4 was also the beneficiary early last week of renewed Japanese interest and some program buying by US investors.

Malaysian shares traded over the counter in Singapore also surged amid rumours of the possibility of a Malaysian general election being called in June.

In Europe, Italy registered the week's sharpest advance as post election euphoria continued. A surge of demand by individual domestic investors swamped the market's Telematic electronic system on Tuesday, bringing a halt to the day's trading.

After hurried consultations by the Consob bourse authorities, huge volumes of business were transacted during the week's remaining sessions, with turnover surging to a record L2,206bn on Thursday.

**MARKETS IN PERSPECTIVE**

| | % change in local currency † | | | | % change sterling † | % change in US $ † |
|---|---|---|---|---|---|---|
| | 1 Week | 4 Weeks | 1 Year | Start of 1994 | Start of 1994 | Start of 1994 |
| Austria | +0.04 | -4.89 | +32.99 | -4.40 | -2.76 | -3.15 |
| Belgium | +0.81 | -1.70 | +14.00 | -1.10 | +1.81 | +1.40 |
| Denmark | -2.36 | -5.83 | +26.82 | -0.99 | +0.73 | +0.32 |
| Finland | +1.14 | -1.24 | +71.87 | +13.43 | +19.75 | +19.26 |
| France | +1.87 | -2.34 | +12.98 | -3.33 | -2.16 | -2.55 |
| Germany | -0.33 | +1.73 | +26.92 | -3.36 | -1.59 | -1.99 |
| Ireland | +2.03 | -1.77 | +17.76 | -0.38 | +1.59 | +1.18 |
| Italy | +4.04 | +17.99 | +56.33 | +27.89 | +34.29 | +33.75 |
| Netherlands | +2.67 | +2.44 | +26.43 | +0.72 | +2.16 | +1.74 |
| Norway | +1.94 | -3.07 | +36.01 | +6.53 | +8.33 | +7.89 |
| Spain | -2.31 | -5.90 | +27.42 | -4.00 | -1.42 | -1.82 |
| Sweden | -1.15 | -1.96 | +36.71 | +2.67 | +8.50 | +8.06 |
| Switzerland | +0.06 | +1.14 | +34.33 | -1.49 | +0.98 | +0.56 |
| UK | +1.56 | -1.56 | +13.44 | -6.06 | -6.07 | -6.45 |
| EUROPE | +1.11 | +0.09 | +21.74 | -2.06 | -0.64 | -1.03 |
| Australia | -0.15 | -4.06 | +17.77 | -4.43 | +2.22 | +1.81 |
| Hong Kong | +2.33 | +5.14 | +45.94 | -19.67 | -19.33 | -19.65 |
| Japan | +1.21 | -0.82 | +3.22 | +12.61 | +21.76 | +21.26 |
| Malaysia | +8.13 | -0.17 | +66.56 | -19.64 | -19.15 | -19.48 |
| New Zealand | +0.08 | -8.00 | +33.04 | -5.12 | -3.14 | -3.53 |
| Singapore | +5.15 | +6.02 | +37.70 | -12.52 | -9.47 | -9.84 |
| Canada | -1.53 | -6.59 | +14.71 | -1.31 | -5.29 | -5.68 |
| USA | -0.32 | -5.28 | -0.78 | -4.36 | -3.97 | -4.36 |
| Mexico | -3.05 | -7.54 | +23.87 | -14.33 | -20.59 | -20.92 |
| South Africa | +0.92 | -5.47 | +46.17 | +0.94 | -19.41 | -19.74 |
| WORLD INDEX | +0.66 | -2.30 | +7.94 | +0.10 | +2.66 | +2.24 |

† Based on April 15th 1994. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited.

**FT-ACTUARIES WORLD INDICES**

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| NATIONAL AND REGIONAL MARKETS | FRIDAY APRIL 15 1994 | | | | | | | | THURSDAY APRIL 14 1994 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 52 week High | 52 week Low | Year ago (approx) |
| Australia (69) | 169.89 | -0.9 | 170.94 | 111.31 | 151.25 | 156.26 | -0.9 | 3.49 | 171.53 | 172.17 | 112.85 | 152.38 | 157.71 | 189.15 | 130.19 | 143.68 |
| Austria (17) | 179.15 | 0.1 | 180.26 | 117.37 | 159.49 | 159.22 | 0.3 | 0.98 | 178.96 | 179.63 | 117.74 | 158.98 | 158.81 | 195.41 | 139.63 | 144.24 |
| Belgium (42) | 164.93 | 0.2 | 165.94 | 108.05 | 146.83 | 143.41 | 0.4 | 3.80 | 164.66 | 165.27 | 108.33 | 146.27 | 142.79 | 171.69 | 141.92 | 155.29 |
| Canada (106) | 128.08 | -0.7 | 128.87 | 83.91 | 114.03 | 128.49 | -0.3 | 2.61 | 129.03 | 129.52 | 84.89 | 114.63 | 128.90 | 145.31 | 121.46 | 122.67 |
| Denmark (32) | 247.99 | -0.6 | 249.52 | 162.47 | 220.77 | 226.20 | -0.4 | 1.06 | 249.36 | 250.29 | 164.05 | 221.52 | 227.08 | 275.79 | 207.58 | 213.15 |
| Finland (22) | 146.93 | -0.5 | 147.83 | 96.26 | 130.80 | 169.84 | -0.5 | 0.88 | 147.68 | 148.23 | 97.16 | 131.19 | 170.62 | 156.72 | 84.12 | 84.61 |
| France (98) | 171.48 | 0.5 | 172.53 | 112.34 | 152.66 | 157.56 | 0.8 | 2.85 | 170.56 | 171.20 | 112.21 | 151.52 | 156.34 | 185.37 | 149.60 | 164.23 |
| Germany (58) | 137.45 | 0.0 | 138.30 | 90.05 | 122.36 | 122.36 | 0.2 | 1.67 | 137.51 | 138.03 | 90.47 | 122.16 | 122.16 | 142.38 | 107.59 | 115.71 |
| Hong Kong (56) | 393.14 | -0.7 | 395.57 | 257.57 | 350.00 | 383.98 | -0.7 | 2.66 | 395.78 | 397.27 | 260.39 | 351.61 | 392.61 | 506.56 | 265.67 | 269.23 |
| Ireland (14) | 187.39 | 0.1 | 188.55 | 122.77 | 166.83 | 184.49 | 0.1 | 3.26 | 187.24 | 187.95 | 123.19 | 166.34 | 184.26 | 209.33 | 155.93 | 169.84 |
| Italy (60) | 91.74 | -0.6 | 92.30 | 60.10 | 81.67 | 112.15 | -0.3 | 1.55 | 92.26 | 92.60 | 60.70 | 81.96 | 112.44 | 93.43 | 57.88 | 62.23 |
| Japan (469) | 157.79 | 1.1 | 158.77 | 103.38 | 140.48 | 103.38 | 0.7 | 0.78 | 156.08 | 156.67 | 102.69 | 138.66 | 102.69 | 165.91 | 124.54 | 139.98 |
| Malaysia (98) | 476.31 | 1.9 | 479.25 | 312.06 | 424.05 | 493.18 | 2.0 | 1.33 | 467.44 | 469.19 | 307.53 | 415.26 | 483.50 | 621.63 | 297.87 | 297.87 |
| Mexico (18) | 1888.31 | 0.1 | 1899.94 | 1237.13 | 1681.07 | 6946.26 | 0.1 | 0.73 | 1885.91 | 1892.97 | 1240.74 | 1675.36 | 6936.62 | 2647.06 | 1431.17 | 1655.54 |
| Netherland (26) | 202.57 | 0.6 | 203.82 | 132.71 | 180.34 | 177.77 | 0.9 | 3.17 | 201.31 | 202.07 | 132.44 | 178.84 | 176.25 | 207.43 | 163.30 | 171.15 |
| New Zealand (14) | 65.51 | 0.5 | 65.91 | 42.92 | 58.32 | 61.16 | 0.2 | 3.81 | 65.20 | 65.45 | 42.90 | 57.93 | 61.02 | 77.59 | 46.43 | 46.84 |
| Norway (23) | 193.82 | 0.3 | 195.01 | 126.98 | 172.55 | 195.36 | 0.5 | 1.70 | 193.24 | 193.97 | 127.14 | 171.67 | 194.46 | 206.42 | 150.61 | 155.92 |
| Singapore (44) | 331.38 | -1.0 | 333.42 | 217.10 | 295.02 | 238.38 | -1.1 | 1.64 | 334.80 | 336.06 | 220.27 | 297.43 | 240.95 | 378.92 | 230.89 | 230.89 |
| South Africa (60) | 214.42 | -0.2 | 215.74 | 140.47 | 190.88 | 252.84 | 0.4 | 2.43 | 214.84 | 215.64 | 141.34 | 190.85 | 251.93 | 260.26 | 163.18 | 163.18 |
| Spain (42) | 136.82 | -1.5 | 137.66 | 89.64 | 121.80 | 144.85 | -0.9 | 4.08 | 138.89 | 139.41 | 91.38 | 123.38 | 146.15 | 155.79 | 116.33 | 130.09 |
| Sweden (36) | 212.19 | -0.4 | 213.50 | 139.02 | 188.91 | 248.79 | -0.4 | 1.58 | 213.06 | 213.86 | 140.17 | 189.28 | 249.78 | 230.02 | 163.37 | 164.84 |
| Switzerland (49) | 161.07 | 0.1 | 162.06 | 105.52 | 143.39 | 145.24 | 1.0 | 1.60 | 160.85 | 161.45 | 105.82 | 142.89 | 143.84 | 176.56 | 118.09 | 119.29 |
| United Kingdom (205) | 191.83 | 0.9 | 193.01 | 125.68 | 170.78 | 193.01 | 1.1 | 3.83 | 190.17 | 190.88 | 125.12 | 168.94 | 190.88 | 214.96 | 170.32 | 177.47 |
| USA (520) | 181.63 | 0.0 | 182.74 | 118.99 | 161.69 | 181.63 | 0.0 | 2.82 | 181.70 | 182.38 | 119.54 | 161.41 | 181.70 | 196.04 | 176.91 | 183.05 |
| EUROPE (724) | 167.82 | 0.3 | 168.85 | 109.95 | 149.40 | 161.66 | 0.6 | 2.86 | 167.24 | 167.87 | 110.03 | 148.57 | 160.63 | 178.58 | 141.58 | 146.11 |
| Nordic (113) | 204.02 | -0.4 | 205.28 | 133.66 | 181.63 | 209.02 | -0.3 | 1.37 | 204.85 | 205.61 | 134.77 | 181.98 | 209.73 | 220.60 | 155.68 | 156.80 |
| Pacific Basin (750) | 166.36 | 0.9 | 167.39 | 108.99 | 148.11 | 113.63 | 0.5 | 1.06 | 164.90 | 165.52 | 108.48 | 146.50 | 113.02 | 168.80 | 134.79 | 143.75 |
| Euro-Pacific (1474) | 166.82 | 0.7 | 167.85 | 109.29 | 148.51 | 132.47 | 0.6 | 1.81 | 165.73 | 166.35 | 109.03 | 147.22 | 131.71 | 170.78 | 141.98 | 144.60 |
| North America (626) | 178.30 | -0.1 | 179.40 | 116.81 | 158.73 | 177.95 | -0.1 | 2.90 | 178.43 | 179.09 | 117.39 | 158.51 | 178.04 | 192.73 | 173.70 | 179.31 |
| Europe Ex. UK (519) | 151.09 | 0.0 | 152.02 | 98.99 | 134.51 | 142.18 | 0.4 | 2.27 | 151.06 | 151.62 | 99.38 | 134.19 | 141.67 | 156.73 | 122.37 | 126.61 |
| Pacific Ex. Japan (281) | 250.41 | -0.2 | 251.95 | 164.06 | 222.93 | 228.25 | -0.2 | 2.57 | 251.03 | 251.97 | 165.15 | 223.01 | 228.78 | 296.21 | 180.62 | 181.25 |
| World Ex. US (1658) | 167.13 | 0.6 | 168.16 | 109.49 | 148.79 | 135.35 | 0.6 | 1.82 | 166.12 | 166.75 | 109.29 | 147.58 | 134.61 | 172.51 | 142.94 | 144.95 |
| World Ex. UK (1973) | 168.92 | 0.3 | 169.96 | 110.67 | 150.38 | 145.80 | 0.3 | 2.03 | 168.37 | 169.00 | 110.77 | 149.57 | 145.43 | 175.58 | 152.41 | 154.78 |
| World Ex. So. Af. (2118) | 170.75 | 0.4 | 171.80 | 111.86 | 152.01 | 149.18 | 0.3 | 2.21 | 170.10 | 170.73 | 111.91 | 151.10 | 148.68 | 178.56 | 154.85 | 156.84 |
| World Ex. Japan (1709) | 180.03 | 0.1 | 181.14 | 117.95 | 160.27 | 176.90 | 0.2 | 2.83 | 179.91 | 180.58 | 118.36 | 159.82 | 176.56 | 195.20 | 165.70 | 167.42 |
| The World Index (2178) | 170.94 | 0.4 | 172.00 | 111.99 | 152.18 | 150.00 | 0.3 | 2.21 | 170.30 | 170.94 | 112.04 | 151.29 | 149.50 | 178.97 | 154.85 | 156.75 |

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